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ALVAREZ NOMINATION

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

THE NOMINATION OF EVERETT ALVAREZ, JR., OF ROCKVILLE, MD., TO BE DEPUTY ADMINISTRATOR OF VETERANS' AFFAIRS

AUGUST 5, 1982

Printed for the use of the Committee on Veterans' Affairs

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NOMINATION OF EVERETT ALVAREZ, JR., OF ROCKVILLE, MD., TO BE DEPUTY ADMINISTRATOR OF VETERANS' AFFAIRS

THURSDAY, AUGUST 5, 1982

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, at 11 a.m., in room 412, Russell Office Building, Hon. Alan K. Simpson (chairman) presiding.

Present: Chairman Alan K. Simpson, and Senators Strom Thurmond, Robert T. Stafford, Bob Kasten, Jeremiah Denton, Frank H. Murkowski, Arlen Specter, Alan Cranston, Jennings Randolph, Spark M. Matsunaga, Dennis DeConcini, and George J. Mitchell.

OPENING STATEMENT OF HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Chairman SIMPSON. How are you this morning? Nice to see you.

We will now consider the nomination of Mr. Everett Alvarez, Jr., the President's nominee to be Deputy Administrator of Veterans' Affairs to succeed Charles T. Hagel.

We meet to fulfill the committee's confirmation responsibilities and to inquire into policy and administrative issues which will very likely confront the new Deputy Administrator.

It is an important assignment, especially at this time of history of the Veterans' Administration, a very large and complex agency of the Federal Government.

The Deputy Administrator is a vital part of the leadership team for the VA. On July 1, 1982, the President announced his intention to nominate Mr. Alvarez. The nomination was made on July 26, and on that date the nomination was referred to this committee.

You have a distinguished record, serving as Deputy Director of the Peace Corps, and now I believe twice this year you had the delightful experience of going through confirmation hearings which is, I am sure, just a rare treat for you.

We are now meeting our statutory duty by conducting this hearing to inquire into the background and qualifications of the nominee.

I appreciate the fine assistance of several representatives of the veterans' organizations and others here to testify this morning on your behalf.

Mr. Alvarez is a Vietnam combat veteran. He was a Navy pilot from 1967 to 1973, and was held prisoner of war in and near Hanoi in North Vietnam for 8½ years, the longest period of imprisonment of any person in the service of our country during the Vietnam era.

His last service was in the Navy from 1976 to 1980. He was assistant program manager for the U.S. Naval Air Systems Command and Director of the U.S. Naval Air Production Management Project Office in Washington.

It is my distinct pleasure to welcome you to this hearing.

I also want to commend you, sir, on your extraordinary record of service to the Nation. You have certainly given up a most significant portion of your life on behalf of all of us. Eight and a half years as a prisoner of war is, indeed, difficult for me to even be able to comprehend, and your courage, stamina and patience and determination are an inspiration to us all.

You have a splendid record of service with military medals, including the Silver Star, two Distinguished Service Medals, two Bronze Stars, the Distinguished Flying Cross, and two Purple Hearts.

You have also met the test of holding responsible positions in management and Government service with the Navy and the Peace Corps, experience with budgeting, personnel problems, procurement, planning, supervision. Those things should serve you well.

You would appear to have all of the fine qualifications to continue to serve the people of this country in a most responsible position as Deputy Administrator of Veterans' Affairs, and I welcome you.

Without objection, I order to be placed at this point in the hearing record a biographical sketch of Everett Alvarez, Jr.; part I of the Statement for Completion by Presidential Nominees; a Veterans' Administration news release entitled "Alvarez To Be Nominated Deputy Administrator," dated July 8, 1982; and a letter from J. Jackson Walter, Director, Office of Government Ethics, Office of Personnel Management, dated August 3, 1982.

[The biographical sketch, part I of the Statement for Completion by Presidential Nominees, the Veterans' Administration news release, and the letter from J. Jackson Walter, follow:]

EVERETT ALVAREZ, JR.

Everett Alvarez, Jr., was born in Salinas, California, on December 23, 1937. He received his Bachelor's Degree in Electrical Engineering from the University of Santa Clara in 1960. That same year, he entered the Navy, beginning a twenty-year career in which he advanced to the rank of Commander. A Naval aviator, he was shot down early in the Vietnam conflict and was the longest held prisoner of war in North Vietnam — 8 1/2 years. Electing to stay in the Navy when he returned from Vietnam, Alvarez earned a Master's Degree in Operations Research and Systems Analysis in 1976 from the Naval Post Graduate School in Monterey, California.

He also established the Everett Alvarez, Jr., scholarship foundation, which is administered by the University of Santa Clara. The foundation was set up "to help young people get ahead and develop a greater sense of responsibility and more positive feelings toward being an American."

Alvarez has been formally recognized by numerous civic organizations. In 1973, the City of Santa Clara dedicated and named a park in his honor. In Lemoore, California, a Naval air station housing project was named the Everett Alvarez Village.

The City of El Paso, Texas, in 1974, held a celebration naming a city housing project in his honor. In 1973, he received an alumnus of distinction award and in June, 1982, an honorary doctorate degree in public service from the University of Santa Clara. Commander Alvarez holds the following military awards: Silver Star, two Legions of Merit (with combat 'V'), two Bronze Stars (with combat 'V'), a Distinguished Flying Cross, two Purple Hearts, plus numerous other awards.

In 1976, Alvarez was assigned as a program manager to the Naval Air Systems Command in Washington, D.C. In 1978, he began working on a J.D. Degree in the evening program at the George Washington University National Law Center. Upon his retirement from the Navy in 1980, Alvarez served as a law clerk for six months with a Washington, D.C. firm before accepting an appointment as the Deputy Director of the Peace Corps in April, 1981. As Deputy Director, Alvarez managed the day-to-day business of the Peace Corps, an agency with more than 5,000 volunteers serving in more than 60 countries in the developing world.

As the Deputy Administrator of the Veterans Administration, Alvarez serves in the second ranking position in the Agency. The Deputy works with the Administrator in carrying out the many responsibilities of the agency which serves some 30 million living veterans through 172 medical centers, 226 outpatient clinics, 96 nursing home care units and 58 regional offices, plus a number of satellite and special purpose facilities. The Veterans Administration operates the National Cemetery System and the Nation's largest medical system. The VA has more than 222,000 employees and is responsible for a $25 billion annual budget.

Alvarez is married to the former Thomasine Ilyas of Pittsburgh, Pennsylvania. The couple reside in Rockville, Maryland with their two children Marc and Bryan.

August, 1982.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

PART I: ALL THE INFORMATION IN THIS PART WILL BE MADE PUBLIC

Name: ALVAREZ (LAST) EVERETT (FIRST) JR. (OTHER)

Present address: 1919 Sunrise Drive (CITY) Rockville (STATE) Maryland (ZIP CODE) 20854

Position to which nominated: Deputy Administrator of Veterans Affairs, Veterans Administration

Date of nomination: 26 July 1982

Date of birth: 23 (DAY) December (MONTH) 1937 (YEAR) Place of birth: Salinas, California

Marital status: Married Full name of spouse: Thomasine Ilyas Alvarez

Name and ages of children:

Marc Ilyas Alvarez	8	
Bryan Thomas Alvarez	6	

Education:

Institution (including city and State)	Dates attended	Degrees received	Dates of degrees
Salinas Union High School Salinas, California	9/52 - 6/55	H.S.	6/55
Hartnell Junior College Salinas, California	9/55 - 6/57	A.A.	6/57
University of Santa Clara Santa Clara, California	9/57 - 6/60	BSEE	6/60
U.S. Naval Postgraduate School, Monterey, California	2/74 - 9/76	M.S. OPS. Rsch. & Syst. Analysis	9/76
Defense Systems Mgmt. Col. Ft. Belvoir, Virginia	1/77 - 6/77	Certificate	6/77
National Law Center George Washington Univ. Washington, D.C.	8/78 - Present	--	12/82

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Honorary Doctorate in Public Service, University of Santa Clara

Military Medals: Silver Star, (2) Distinguished Service Medals (with Combat "V"), (2) Bronze Stars (with Combat "V"), Distinguished Flying Cross, (2) Purple Hearts.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations for the last five years and any other prior memberships or offices you consider relevant.

Organization	Office held (if any)	Dates
University of Santa Clara Board of Fellows	—	Lifetime
Bohemian Club		1973 - 1976
Tailhook Association	—	1973 - Present
NAM-POW Inc.	—	1973 - Present

Employment record: List below all positions (except military service) held since twenty-first birthday, including the title or description of job, name of employer, location of work, and inclusive dates of employment.

Law Clerk, Finnegan, Henderson, Farabow, et al., 1776 K Street, N.W. Washington, D.C. 7/80 - 3/81

Deputy Director, Peace Corps Washington, D.C. 4/81 - 6/82

Military service: List below all military service (including reserve components and National Guard or Air National Guard), with inclusive dates of service, rank, permanent duty stations and units of assignment, titles, descriptions of assignments, and type of discharge.

6/60 - 10/61 Ensign, Naval Aviation Flight Training, Student

11/61 - 8/64 Lt. (jg), VA-144, Squadron Aviator

8/64 - 2/73 POW (North Vietnam)

3/73 - 9/76 Naval Postgraduate School

10/76 - 6/80 CDR, Naval Air Systems Command, Washington, D.C.

Government experience: List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments other than those listed above.

N/A

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

No

Political affiliations and activities: List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last five years.

Montgomery County Republican Party - Contributions 1981, 1982

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

—

2. State whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

None

3. Has a commitment been made to you for employment after you leave Federal service?

NO

4. Do you intend to serve the full term for which you have been appointed or until the next Presidential election, whichever is applicable?

YES

Potential conflicts of interest:

1. Describe any financial arrangements, deferred compensation agreements or other continuing financial, business or professional dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other financial relationships which constitute potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction which you have had during the last five years whether for yourself, on behalf of a client, or acting as an agent, that constitutes a potential conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any Federal legislation or of affecting the administration and execution of Federal law or policy.

NONE

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

N/A

Office of Public and Consumer Affairs
Washington DC 20420
(202) 389-2741

Veterans Administration

News Release

FOR IMMEDIATE RELEASE

ALVAREZ TO BE NOMINATED DEPUTY ADMINISTRATOR

A former prisoner of war in Vietnam, Everett Alvarez, Jr., will be nominated by President Reagan to be Deputy Administrator of Veterans Affairs. He will succeed Charles T. Hagel, who has resigned.

Alvarez, 44, will join VA Administrator Robert P. Nimmo in leading the government's largest independent agency. He comes to the VA from the Peace Corps where he has served as Deputy Director since being appointed by the President in 1981.

A native of Salinas, Calif., Alvarez currently oversees the day to day management of more than 5,000 Peace Corps volunteers serving in over 60 countries.

The former Navy pilot received his Bachelor's Degree in electrical engineering from the University of Santa Clara in 1960, the same year he entered the Navy, beginning a 20-year career. He received his Master's Degree in Operations Research and Systems Analysis in 1976 from the Naval Post Graduate School in Monterey, Calif., and in December 1982 will receive his J.D. Degree from the George Washington University National Law Center in Washington, D.C.

From November 1976 to July 1980, Alvarez served as assistant program manager for the U.S. Naval Air Systems Command, and director of the U.S. Naval Air Production Management Project Office in Washington, D.C.

As assistant program manager, he managed the Navy's $200 million A-4 aircraft program, accountable for management of development, testing, evaluation, and production of A-4 systems involving 15 models and more than 2,000 aircraft.

As director of the U.S. Naval Air Production Management Project Office, he established and implemented production readiness procedures and managed government contracting and procurement processes.

Among his numerous military awards are: Silver Star, two Legion of Merits (with combat 'V'), two Bronze Stars (with combat 'V'), a Distinguished Flying Cross and two Purple Hearts.

Upon his retirement from the Navy in 1980, Alvarez went to work for a Washington, D.C. law firm.

In 1973, following his release by the North Vietnamese, after eight and one-half years as a prisoner of war--the longest-held American POW of that conflict--he established the Everett Alvarez, Jr. scholarship foundation "to help youngsters get ahead and develop a sense of responsibility and positive feelings toward being an American." The foundation is administered by the University of Santa Clara.

As VA deputy administrator, Alvarez will assist the VA chief in carrying out the agency's numerous responsibilities in serving the nearly 30 million living veterans and overseeing the agency's $25 billion budget.

Alvarez and his wife, the former Thomasine Ilyas of Pittsburgh, Pa., reside in Rockville, Md., with their two children Marc and Bryan.

# # #

Contact: Ozzie Garza
(202) 389-2741

July 8, 1982

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

Honorable Alan K. Simpson
Chairman, Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Everett Alvarez, Jr., who has been nominated by President Reagan for the position of Deputy Administrator, Veterans Administration.

We have reviewed the report and have also obtained advice from the Veterans Administration concerning any possible conflict in light of the Administration's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Alvarez is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

J. Jackson Walter
Director

Enclosure

Chairman SIMPSON. Now, if I might, we will defer to my fine ranking member of this committee, Senator Al Cranston of California, and then to a colleague from California, Senator Hayakawa to introduce the nominee before he presents his statement.

Senator CRANSTON. Thank you, Al.

I am pleased to be here this morning before this hearing on the nomination of my fellow Californian, Everett Alvarez, as Deputy Administrator of Veterans' Affairs.

I welcome each of you and especially Everett and the members of his family who are here.

Since I, along with two of my distinguished colleagues in the Senate, will have the honor of introducing Everett this morning, I will reserve my remarks about his background for that moment.

However, I would like to note that I am very pleased to see yet another Vietnam veteran in a top leadership position in the VA.

In recent years, top VA officials who are Vietnam veterans have brought a special understanding to the unique problems still faced by far too many veterans of that war. The need for this kind of contribution continues to be a very important one at the Veterans' Administration.

I am also encouraged to see that the nomination to fill this vacancy has come forward in such a timely fashion.

However, in a less positive vein, I am concerned that we now find ourselves over half way through 1982, and with the VA still making major changes in its top management. In 1981, a new Administrator of Veterans' Affairs did not take office until 6 months into the new administration, during which time considerable changes affecting veterans—and deserving of the consideration of an Administrator—were initiated.

Following the confirmation of Administrator Nimmo, a good deal more time passed before a Deputy Administrator was confirmed in December. Now, once again, a half year later, we find the VA without a top appointee, and there has been frequent turnover in many other top VA management positions.

The insecurity and instability engendered by this kind of situation is something less than desirable in terms of the effective administration of the VA's programs of benefits and services for the Nation's veterans.

Thus, it is my hope that, with this nomination, the VA management team will be on the road to stabilization and that results will be reflected in improved program effectiveness.

Thank you very much.

Chairman SIMPSON. Thank you, Al. I share those observations in the sense of assuring stability with this fine agency of Government, and I think that this appointment will assist in that.

Let me recognize the senior member of this committee in service. He has been of extraordinary help to me in my time as chairman, I can assure you. Senator Thurmond.

Senator THURMOND. Mr. Chairman, it is a pleasure to be here this morning to participate in the confirmation hearing of Everett Alvarez, Jr., as Deputy Administrator of Veterans' Affairs.

I have met with Mr. Alvarez and I have reviewed his qualifications which are impressive. During his 20-year career in the U.S. Navy, Mr. Alvarez served in Vietnam and was held by the North Vietnamese for 8½ years as a prisoner of war.

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I believe this is the longest period that any person has even been held as a prisoner of war.

He received numerous decorations including the Silver Star, two Legion of Merits, two Bronze Stars, a Distinguished Flying Cross, and two Purple Hearts.

From 1976 to 1980, he served as assistant program manager for the U.S. Naval Air Systems Command and Director of the U.S. Naval Air Production Management Project Office in Washington, D.C. Most recently, he has served as Deputy Director of the Peace Corps, by appointment of the President.

I would especially like to congratulate Mr. Alvarez for establishing a scholarship foundation in his name. This scholarship is intended to help youngsters get ahead and develop a sense of responsibility and positive feelings toward being American.

I place great value on scholarships such as this one and I have established many of them myself. I take great pleasure out of helping young people, as Mr. Alvarez does. I think Mr. Alvarez would agree that we must never underestimate the importance of instilling patriotism in the youth of our Nation.

Mr. Chairman, the President has done an excellent job in selecting an eminently qualified person to fill this important position. I am glad he is a Vietnam veteran.

I strongly support Mr. Alvarez, and I look forward to working with him to insure that our veterans continue to receive the high quality and quantity of health care and benefits which they so richly deserve.

Mr. Alvarez, I just want to add that if you do your job with the VA anything like your fellow prisoner of war sitting beside you, Senator Denton, has done his in the Senate, we will all be highly pleased with your services.

I wish you good luck.

Chairman SIMPSON. Thank you very much, Strom. And in accordance with the committee's internal operations, we recognize members in their order of appearance, and now, Senator Murkowski, please.

Senator THURMOND. Mr. Chairman, I have another meeting. If you will excuse me.

Chairman SIMPSON. Thank you, Strom.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I am certainly pleased to welcome Mr. Alvarez to the Senate Veterans' Committee this morning.

I believe for a man of only 44 years of age, Mr. Alvarez has a long list of accomplishments and awards which are certainly evident.

I know that as Deputy Director of the Peace Corps for the last year, Mr. Alvarez has gained the administrative skills necessary to manage the country's largest independent agency. Mr. Alvarez' lengthy captivity in Vietnam has given him, without a doubt, a special perspective on the importance of continuing efforts to locate an estimated 2,500 men still missing in action in Southeast Asia.

The academic background of Mr. Alvarez is certainly impressive. His training at some of the Nation's finest schools should aid him in comprehending the complexities of veterans' programs and benefits. Especially admirable is his commitment to a better life for youth of this country as evidenced by the scholarship program that he has initiated at the University of Santa Clara. Having had 2 years at the University of Santa Clara during my college education, I can speak very highly and with a great deal of loyalty to that fine institution in California.

In addition, I am confident that the completion of his legal training will prove highly useful to Mr. Alvarez in dealing with the intricacies of the U.S. Congress, which is no easy task, I assure you.

I would like to commend you, Mr. Alvarez, for your 20 years of service to this country in the Navy. The numerous awards that you have received and the experience in Air Systems Command and procurement represent admirable service, and I know that many Alaskan veterans who will be very pleased at your nomination and appointment.

In closing, I would like to wish you the best of luck in striving to continue to provide America's 300 million veterans with the benefits they so richly deserve. Your task will undoubtedly be a difficult one.

You will have to work with many divergent groups to determine how we can best serve our veterans during this time of fiscal austerity, but I know that you and Mr. Nimmo will work together to effectively meet this challenge. I am very pleased to be here to welcome you today.

Mr. Chairman, unfortunately, as you know, I have proxies for two committees that are waiting for me now. I want to apologize to you, Mr. Alvarez, for having to leave at this time.

Mr. Chairman, I have given you my proxy.

Chairman SIMPSON. Now, the Senator from Arizona, Dennis DeConcini.

Senator DECONCINI. Thank you, Mr. Chairman.

I would like to extend my warm welcome to Mr. Alvarez, also, and express my sincere congratulations on his appointment to Deputy Administrator of the Veterans' Administration.

This is an important occasion, not only for you, but for all of us who share a deep interest and a commitment to the Nation's veterans.

The challenges and responsibilities you will be confronting as Deputy Administrator of the Federal Government's largest independent agency, with a budget of $25 billion, are awesome, and I and other members of this committee stand willing to assist you in any way we can. I hope you will tap the collective knowledge and expertise of the committee, its staff, and the various veterans' organizations in the formulation of agency policy.

The veterans of this Nation overwhelmingly supported President Reagan in the last election. However, their confidence in the Veterans' Administration, in my judgment, has been seriously eroded over the past 18 months.

I trust that you will do everything possible to restore that confidence.

I would also hope that you would act as a liaison between the veterans' organizations and the Administrator to assure that veterans' concerns are being transmitted to and seriously considered by the agency's decisionmakers.

Your broad range of expertise as Deputy Director of the Peace Corps, as a career Navy pilot, as a POW in Vietnam, certainly are indicative of the deep personal commitment you bring to the duties that you are undertaking.

Your background and expertise should serve you well.

As I mentioned to you when we had our introductory meeting, there is one area of veterans' services which is of particular concern to this Senator and the veterans of Arizona, and that is medical care.

Arizona's population has more than doubled over the past decade, and there is every expectation that this trend will continue, and at

even a more rapid rate. The general veteran population has increased by 8.8 percent over the past 10 years. Arizona's veteran population has increased 48.2 percent over the same period of time.

These dramatic increases are having and will have enormous impact on the ability of the Veterans' Administration health-care system in Arizona to provide the quality medical care to eligible veterans.

Yet, in the most recent 5-year construction plan, the construction projects in both Phoenix and Prescott, Ariz., have been delayed another year.

I find these delays very difficult to rationalize in light of the demographics of Arizona's veteran population. I would urge you to carefully review current VA construction policies after your confirmation and to enlighten this committee on the criteria being used to determine which projects continue on schedule and those which are delayed.

Delays in construction may achieve short-term budget savings, but they will surely result in increased outlays down the line. Any policy of deliberate delays in construction projects to me are pennywise and pound foolish, and a disservice to those who have fought in the Nation's wars.

Mr. Alvarez, I would like to congratulate you, welcome you to this position, and give you a sincere invitation to consult with this Senator at any time that he can be of assistance to you.

Your job is a big job, it is a difficult job. We want to insure the continued care for the veterans that is an obligation of this Nation and one that I am proud of and I know every member of this committee feels the same way.

So, welcome and congratulations.

Thank you, Mr. Chairman.

Chairman SIMPSON. There are other statements by other members of the committee, and they will be entered into the record without objection.

[The prepared statements of Hon. Robert T. Stafford, a U.S. Senator from the State of Vermont, and Hon. George J. Mitchell, a U.S. Senator from the State of Maine; and the response of the Deputy Administrator-designate to written questions submitted by Senator George J. Mitchell, follow:]

PREPARED STATEMENT OF HON. ROBERT T. STAFFORD, A U.S. SENATOR FROM THE STATE OF VERMONT

MR. CHAIRMAN:

I join you, Mr. Chairman, in welcoming the nominee for Deputy Administrator of Veterans' Affairs, to this Committee.

The position of Deputy Administrator is a very important leadership position in the Veterans' Administration with its 230,000 employees, 172 hospitals, 224 outpatient clinics and tremendous responsibilities in providing services and benefits for the Nation's veterans, their survivors and dependents.

The position entails more responsibility than as an assistant to the Administrator. The leadership challenge is far greater than as a reporter of activities within the agency.

I have had the opportunity of visiting with Everett Alvarez, Jr., and of reviewing his background of education and experience. It would appear that the nominee has excellent qualifications for the position of Deputy Director, the number two position in the VA.

As a prisoner-of-war for 8 1/2 years during the Vietnam war, Mr. Alvarez displayed courage, determination, patriotism and dedication. His experience as Director of the U.S. Navy Air Production Management Project Office and as Production Readiness Procedures Specialist have given him an expertise and insight which undoubtedly will assist in the understanding and skill needed in the Veterans' Administraiton. His management experience with the Peace Corps demonstrates his ability directing operations of a large governmental agency.

His wartime service, his continuing interest in veterans' activities further qualify him for the position he has been nominated to fill. I wish him well.

PREPARED STATEMENT OF HON. GEORGE J. MITCHELL, A U.S. SENATOR FROM THE STATE OF MAINE

Mr. Chairman:

I would like to welcome Mr. Alvarez here this morning. I look forward to receiving his prepared statement.

I have reviewed Mr. Alvarez's background carefully. He has a fine record of service to his country, serving in Vietnam as a carrier aviator, then for the Department of Defense and most recently as Deputy Director of the Peace Corps. I commend Mr. Alvarez on his distinguished record of service.

As Deputy Administrator of the VA, Mr. Alvarez will be responsible for the day-to-day operation of the VA. There is no doubt that this is a difficult task requiring expert management skills and attention to detail. I wish him the best of luck in his new post.

I have a few written questions for Mr. Alvarez concerning his personal views on a number of veterans' issues, to which I ask him to respond at his earliest convenience.

RESPONSE OF THE DEPUTY ADMINISTRATOR-DESIGNATE TO WRITTEN QUESTIONS SUBMITTED

BY HON. GEORGE J. MITCHELL, A U.S. SENATOR FROM THE STATE OF MAINE

Question 1. When you stopped by my office for a courtesy call a few weeks ago, I asked whether you planned to assume the Chairmanship of the Agent Orange Policy Coordinating Committee.

A. Have you made a decision to assume that chair?

B. [If not] Do you know who is?

ANSWER:

A. Yes. I intend to play an active role in the work of this Committee.

Question 2. In travelling throughout my home state of Maine, I have met with hundreds of Vietnam veterans to discuss their concerns. There seems to be a common perception among these veterans that the VA is dragging its feet on the Agent Orange issue.

A. Do you agree that this perception exists?

ANSWER:

I regret that I must agree this perception does exist. However, I believe that the perception is not warranted and that the actions taken by the Administrator, including the commitment of substantial funds to the programs dedicated to resolution of the Agent Orange issue have greatly improved the perception among veterans. In the past year, there have been a number of significant steps taken that will help us to resolve some of the many questions that have been raised. Activities that are currently or soon will be underway include: the conduct of a pilot study of the epidemiology study mandated by Pub. L. No. 96-151; a Vietnam veteran mortality study; a chloracne review; a Vietnam veteran identical twin study; a collaborative support of an Environmental Protection Agency (EPA) study of dioxins and furans in adipose tissue of Vietnam veterans, and other specially solicited Veterans Administration Medical Center (VAMC) research projects. This program plan also provides for continued support of the Agent Orange Registry; the placement of Vietnam service indicator on the patient treatment file (PTF) medical records of Vietnam era veterans; a follow-up to the Review of Literature on Herbicides, including Phenoxy Herbicides and Associate Dioxins; and the production of scientific monographs on topics related to the Agent Orange epidemiology study.

In addition to these initiatives, the Veterans Administration has enhanced its information activities. Recently, three pamphlets have been prepared designed to disseminate accurate information to concerned veterans. One pamphlet describes in general terms the nature of the Agent Orange controversy and the steps being taken to address it. A second pamphlet provides frequently asked questions and answers about Agent Orange. The third pamphlet provides information to Vietnam veterans about their eligibility for health care for conditions that may be associated with Agent Orange exposure which was authorized by Pub. L. No. 97-72.

The Veterans Administration is continually looking at ways to better inform Vietnam veterans concerning this important issue. I intend to play an important role in this effort and to the maximum extent possible insure that these important issues are appropriately addressed and resolved.

Question 3. Another problem in the Agent Orange area is that many veterans and others concerned about this issue are not aware of what the VA is doing to try to resolve the unanswered questions -- or of the availability of medical examinations and the special health-care eligibility, enacted last year, for disabilities that may be related to Agent Orange.

A. Do you have any recommendations or plans for the VA to improve its Agent Orange information and outreach program?

ANSWER:

As I indicated in the previous response, there are a number of initiatives that are being looked at that could improve our Agent Orange information and outreach efforts. Some of these include relatively easy tasks such as giving our pamphlets more widespread visibility or distribution and more ambitious scheduling for showing our film "Agent Orange: A Search for Answers." More ambitious efforts under consideration include informational conferences around the country for local veterans organizations and concerned citizens and the development of full length articles to be made available for inclusion in the veterans organizations' publications.

In our efforts in this regard, it must be remembered that our goal is to educate and inform. We must approach the problem in a candid, straight forward manner that informs veterans without needlessly alarming them.

Question 4. Public Law 96-151 mandated an epidemiological study of Vietnam veterans to determine the long-term health effects of their exposure to Agent Orange. One of my major concerns is that this study be conducted in such a way as to ensure that the results will have credibility among Vietnam veterans and their families, the scientific community, and the general public.

A. Do you agree that this kind of credibility should be a major concern?

B. It seems to me that one way to help ensure credibility or at least maintain the appearance of credibility would be for the VA to contract with an independent, outside entity for the conduct of the study. Do you agree?

C. Do you have any idea when this decision will be made?

ANSWER:

I could not agree more that this important study must have credibility, particularly among Vietnam veterans and their families. It was precisely for that reason that the Veterans Administration sought an independent outside contractor to develop the protocol and then submitted it for critical outside review by various bodies, including the Congressional Office of Technology Assessment. It was also one of the bases for the determination to request an independent contractor to pilot test the protocol and make any necessary changes or refinements prior to the conduct of the full study.

B. At this point, it is, I believe, still premature to make any firm decision in this regard. An important factor that will have to be considered is the end result of the pilot study, which is anticipated being completed by early 1985. During that interval, we will be striving to enhance our credibility with the Veteran community. During 1984, we will assess our position based upon the experience of the pilot study and the recommendation of a variety of advisory bodies. At that time a decision will be made with respect to the scope and extent of the role the Veterans Administration should play in the conduct of the study.

C. I am confident that I will play a major role in the formulation of a recommendation to the Administrator, who, ultimately, is responsible for making this decision.

D. As I indicated, the earliest that one could realistically anticipate a decision being made in this regard is during the latter part of 1984.

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Question 5. Last year, in Public Law 97-72, the Congress gave the Veterans Administration the authority to expand this study to including evaluation of the health effects on Vietnam veterans of exposure to other substances in Vietnam.

A. Have you had an opportunity to review this issue and form any opinions regarding the desirability and feasibility of expanding the study in this way?

[If so] What are your opinions?

B. Are you involved -- or going to be involved -- in making this decision?

C. When will this decision be made?

ANSWER:

A. The decision of whether to expand the scope of the study is currently undergoing analysis. At this point, I have not formulated an opinion on the advisability of expanding the scope of the study. In any event, I would be opposed to making any significant changes that may tend to delay implementation of the study.

B. Yes.

C. A final determination may not be made for some time.

Chairman SIMPSON. I now recognize the senior Senator from California. If you have any further remarks that you would wish to make, please.

TESTIMONY OF HON. ALAN CRANSTON, RANKING MINORITY MEMBER OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Senator CRANSTON. I am pleased to have this opportunity to introduce my fellow Californian, Everett Alvarez, to my fellow members on this committee. A year ago I had the same privilege when he appeared before the Foreign Relations Committee in connection with his nomination to be Deputy Director of the Peace Corps.

Everett has a distinguished record of public service to which his appointment as Deputy Administrator of Veterans' Affairs will make an important addition. He served in the Navy for 20 years, and, as has been noted, spent 8½ years as a prisoner of war, the longest any American was held as a POW in North Vietnam. His outstanding Navy service and the tremendous sacrifices he has made on behalf of our Nation reflect a truly extraordinary, awesome degree of courage and patriotism.

He continued to show his commitment to public service by establishing a scholarship foundation now administered by the University of Santa Clara. Most recently, he has served as the Deputy Director of the Peace Corps, another agency to which I am deeply committed. As a member of the Foreign Relations Committee, I have been in a good position to follow his contributions at the Peace Corps.

Everett Alvarez was born in Salinas, Calif., and is a graduate of the University of Santa Clara. He will shortly receive his law degree from the George Washington University National Law Center.

I am very pleased to have another fellow Californian with such a fine record of public service coming to the VA. I look forward to working with you, Everett, on many matters of mutual interest relating to veterans.

Thank you very much.

Chairman SIMPSON. Thank you very much. Now, the junior Senator from California, our colleague, Sam Hayakawa. It is nice to have you here this morning, Senator.

TESTIMONY OF HON. S. I. HAYAKAWA, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator HAYAKAWA. Thank you, Mr. Chairman.

It is with great pleasure that I once again have the honor of introducing Mr. Everett Alvarez, Jr., this time to the Veterans' Affairs Committee as President Reagan's nominee for Deputy Administrator of the Veterans' Administration. This is a position I know he accepts with enthusiasm, excitement, and anticipation.

A little over over a year ago I introduced Mr. Alvarez to the Senate Foreign Relations Committee, at that time for the position of Deputy Director of the Peace Corps. His successful year and experience with the Peace Corps will be of tremendous value in his new position with the Veterans' Administration.

This most recent nomination adds still another facet to an extremely varied and fascinating career. Mr. Alvarez was born in Salinas, Calif., in 1937. After receiving his degree from the University of Santa Clara in 1960, he began a 20-year career with the Navy.

I don't need to tell you about that. You have heard several times about his being held prisoner of war in North Vietnam for 8½ years. I am sure that this experience, while difficult at best, will serve to enhance Mr. Alvarez' understanding and appreciation of the special problems of America's veterans, especially those that served during the Vietnam war.

My personal concern for the plight of our POW/MIA's from the Vietnam conflict was encouraged by Mr. Alvarez' nomination.

After returning home from Vietnam, Mr. Alvarez elected to continue his career in the Navy where he earned a master's degree in operations research and systems analysis in 1976 from the Naval Post Graduate School in Monetery, Calif.

Mr. Alvarez has taken an active interest in education and civic affairs. He established the Everett Alvarez, Jr., Scholarship Foundation, which is administered by the University of Santa Clara. Parks and housing projects have been named in his honor, and he was named an alumnus of distinction by his alma mater.

In 1976, Mr. Alvarez was assigned by the Navy to Washington, D.C., where he served until 1980 as Assistant Program Manager, U.S. Naval Air Systems Command, A–4 aircraft program. He will soon receive his law degree from Washington National Law Center, George Washington University.

Mr. Chairman, many unique and special problems surround America's veterans—especially Vietnam-era veterans. Psychological difficulties, agent orange, unemployment, educational problems will all demand the special consideration of the Veterans' Administration.

America's veterans deserve the best, and that is just what they will be getting with Everett Alvarez. A loyal citizen, a brave soldier, and a man who loves peace but has experienced the tragedies of war.

Mr. Chairman, it is with special pride and enthusiasm that I commend Mr. Alvarez' nomination to this committee, a fellow Californian and friend.

Chairman SIMPSON. Thank you very much. Now, I recognize Senator Jeremiah Denton of Alabama, who stepped off the same plane with this gentleman in 1973, and who shares that dual distinction of having served this country in ways that few have ever known or would ever be desirous to know. So, please, Jerry Denton.

Senator DENTON. Thank you, Mr. Chairman.

I believe my friend and brother on my right here is as sensitive as I that there has been perhaps too much said about Vietnam POW's as opposed to other Vietnam veterans about whom not enough was said, not enough credit was given, and to veterans in general.

But this is a very special day for a special man and rather than go over what has been appropriately presented in introduction of this special man, I would like to say something special to Ev in a special way, which means "happy anniversary." [Taps out code on witness table.]

That is today, the 5th of August 1982, is the 18th anniversary of Ev having been shot down in 1964. And every morning in the camps in which we happened to be serving at the time, if someone had an anniversary, we all knew what date he was shot down and we would give that H.A. as an abbreviation to him and followed by his initials.

So it is kind of a dream that we never would have even dreamed, Ev, that I would be wishing you a happy anniversary in such happy circumstances.

Ev was flying an A–4 off the U.S.S. *Constellation* on a fateful day in U.S. history and therefore he should and will go down in history, perhaps more than any of us who are here extolling his merits today.

The United States had just responded to the Tonkin Gulf incidents and President Johnson had ordered the launching of a retaliatory strike, and Ev was shot down on an attack on Hun Gay on that date of August 5.

Many of us had a long time alone. I happened to be the first person to get 4 years in solitary confinement, but my solitary confinement was somewhat ameliorated by the fact that occasionally I would be able to communicate with someone by tapping or other means.

Ev Alvarez was in North Vietnam alone at the military prison. There was no other American in the entire country with whom he could have possibly been in contact from August 5, 1964, until February 1965, when Bob Shoemaker happened to be shot down, who is still here also performing very well.

He has now been made a commodore in the Navy and I know that Ev and Bob and I would all like to be known by what we did before we were prisoners and after we were prisoners, rather than that which we just happen to be, because I know the chairman of the subcommittee or this committee would have been at least as staunch and certainly as much of a source of good morale to his comrades were he to have been there, and that is entirely true, and that applies to any other good American.

Ev was all alone. He in his loneliness would write messages, which I later saw as the 13th prisoner shot down in North Vietnam when I was introduced to little courtyards, perhaps half as big as this room where he had been permitted occasionally to exercise, and it is quite touching to read what he had left on the walls.

Let's see, he was shot down in August. He would have had certainly "Happy Thanksgiving Day" written on the walls just in case someone else would see it. There was no one to see it. You didn't know but there was no one there.

I don't know whether I can say this without emotion, but he had written in one place "Lord, I am not worthy, but only say the word, and my soul shall be healed."

A great many of us who were not particularly pious came to such thoughts very deeply during the years that we were there. I am sure none of us more deeply than Ev, who was there longer than the rest.

He wrote "Merry Christmas." There was no one there. So when I saw those things and realized from the dates who had to have written them, I had been there a few months so I knew Ev was there, and I knew he had been there from reading about it in the newspapers and hearing about it in the POW school. It was quite touching, and I was extremely moved.

Later I got direct contact with Ev and learned that, from him and from his captors, that he had held up alone against the bombardment of propaganda, and at that time psychological pressure, then he held up extremely well under the torture which they began to apply in October 1965 and continued until October 1969. That is why he got many of those decorations.

He participated in the Hanoi March, which some day when we look back upon the Vietnam war with a bit more objectivity, I think it will be an event which goes down in American history.

They wanted to disgrace Americans in front of their citizens whom they had dashed to fanaticism and hatred by propaganda reports for

the past 2 weeks of how we ate little children for breakfast and destroyed old women for entertainment with our bombs and Ev participated in that March with great honor and courage, holding his head up despite being beaten as he marched through the streets of Hanoi.

I have the utmost respect for him from those days and affection.

Since those days he has shown, unlike the man about whom I had heard in the movie, I didn't see the movie, but I heard the man went nuts because he was in jail for 8 years and it finally got to him. He kept saying "8 years, 8 years, 8 years" of things that he had missed. Well, Ev missed 8 years. Came back, went to work, got those degrees you heard about and made those achievements that you have heard about and I can't think of a man who has more demonstrated patriotism, compassion, effectiveness, understanding of what it means to be an American, a man who will appreciate veterans more, a man who will deal with them with the understanding and appreciation which the chairman of this committee—with which he has dealt.

So, with those words, I wish to register for the record and for my colleagues my welcome to Everett Alvarez.

God bless you.

Chairman SIMPSON. Well, in 3½ years in the Senate I have not heard a more beautiful statement made on anyone's behalf in any hearing. A most moving relation of your association, your friendship, which undoubtedly led to your survival.

I can tell you this chairman of the committee, whatever he would have done in those circumstances, would have been actually pure conjecture. You two have proven it. And that is the difference. You have walked the walk, and the rest of us have talked the talk.

Thank you so much, Jerry.

Well, are you ready, Ev?

TESTIMONY OF EVERETT ALVAREZ, NOMINEE FOR DEPUTY ADMINISTRATOR OF VETERANS' AFFAIRS

Mr. ALVAREZ. Yes, sir.

Chairman SIMPSON. I would love to have us introduced to your family over there. I would enjoy that very much.

Mr. ALVAREZ. Thank you, sir.

Mr. Chairman, you have heard of some of the accomplishments that I have achieved since I have returned, but I think the proudest accomplishments that I have are seated to my left.

My wife, Tommy and my children, Bryan and Marc.

Chairman SIMPSON. If you will put that mike up.

Again, if you would, will you introduce your family?

Mr. ALVAREZ. I would like to introduce my wife, Thomasine, and my two sons, Bryan and Marc.

Chairman SIMPSON. Nice to have you here on this proud day.

Mr. ALVAREZ. I wish to thank the members of the committee for their kind remarks. Senator Denton's remarks bring back some memories that have been in the back of my mind for a long time.

In fact, this is the 18th anniversary of the day I was shot down and it was almost this time of that day I was shot down. I certainly hope that lightning doesn't strike twice.

Mr. Chairman, and distinguished members of the committee, it is an honor and a privilege for me to appear before you today as President Reagan's nominee as Deputy Administrator of Veterans' Affairs.

It is an honor because of this Nation's commitment to caring for those who have fought its battles and guarded its freedoms.

It is a privilege because of the opportunity it gives me to contribute in a personal, direct way to the benefit of my fellow veterans, to their families, and to the families of those who have made the supreme sacrifice for their countrymen.

As a retired naval officer, Navy pilot, former prisoner of war, I believe I bring not only empathy, but a deep understanding of the needs and concerns of all veterans to this vital job. These are the needs and the concerns of the disabled and the aging; of delayed stress from combat in Vietnam and the possible effects of agent orange; of the debilitating effects, physical and emotional, on those who suffered through captivity during various wars.

Throughout the years, the Congress has acted on behalf of the American people to establish a variety of benefits and programs supportive of the needs of our veterans. The Veterans' Administration is charged with administering this broad array of activity which is now budgeted at close to $25 billion a year.

My contribution, if approved by this committee and the full Senate, will be to help insure the efficient and effective management and operation of this vast effort.

At the outset, I would like to pay tribute to the quality, experience, and dedication of the people who work at the Veterans' Administration. Some 200,000 strong, they provide the foundation for an effective and caring service. There is excellent leadership in these departments and in the staffs and I look forward to working with individuals such as Dr. Custis, Dorothy Starbuck, Mr. Bannai, and the others in our mutual efforts to service our veterans and to carry out the mandates of Congress. It is the caliber of these people which makes me confident that I can carry out the role I will play if approved by the Senate.

This role is defined by its title: Deputy Administrator. With the assistance of our staff, I will serve as an adviser to Administrator Nimmo on major policy issues but will concentrate on daily operations that require direction and coordination above the departmental and staff office level. I will have oversight of every facet of operation.

This will not diminish our attention to problems that are associated with agent orange, the revalidation study of medical construction programs, the decentralization of automatic data processing throughout the medical care system, the refinement of the Vietnam veterans' outreach program, or any other area that needs special attention.

Naturally, I will concentrate on those areas where management improvements are needed and which are critical to the future of the Veterans' Administration and the veteran programs themselves.

In addition to my personal empathy for veterans, I believe my educational background and management experience have prepared me for this opportunity. This includes engineering, systems analysis, program management with the Navy, and budgeting matters for the Peace Corps where, as Deputy Director, I had the responsibility for day-to-day management.

To sum it up, I see my role as an adviser to the Administrator and as manager of daily affairs at the Veterans' Administration. My goal, which is that of the President and the Administrator, is to help insure long-lasting support for veterans' programs by seeing that they are operated as efficiently and effectively as possible. I believe that this is

a goal which can be achieved with the support of the Congress, the veterans' groups and the veterans themselves.

Mr. Chairman, I would like to thank you and I would be pleased to answer any questions.

Chairman SIMPSON. Thank you very much, Mr. Alvarez. Your prepared statement does discuss your role as you see it as Deputy Administrator and that you will serve as an adviser to the Administrator on major policy issues and also concentrate on daily operations.

The statute under which your appointment was made states that the deputy "Shall perform such functions as the Administrator shall designate."

What functions have been designated for you, specifically what jobs will be performed by you and how do you envision your responsibilities there?

Mr. ALVAREZ. Mr. Chairman, my discussions with the Administrator have, in essence, formulated the role that I will have at the Veterans' Administration. Basically as his deputy, responsibility for overall day-to-day management. Again, whatever warrants special attention in certain issues, of course, will require at times special attention.

But, again, my role, as defined, and as agreed upon with the Administrator, and this is also his desire, will be that of oversight of all departments, of all the staff and generally speaking, responsibility of the day-to-day operations giving him the flexibility to develop more time to policy issues or issues of greater concern.

Chairman SIMPSON. This Senate Committee on Veterans' Affairs has taken a strong position on behalf of veterans of the Vietnam conflict under the leadership of Senator Cranston when he chaired the committee. Extraordinary comprehensive legislation has been in place for the Vietnam veteran and then we have the program with readjustment counseling, the vet center programs; that we think to be very important. We have a memorandum dated in November 1981 directed to the deputy, naming the deputy as a chairperson of a committee within the VA in support of readjustment counseling programs.

Does that steering committee still exist and is it functioning? Will you be the chairman of that? Will that be your responsibility? Could you bring us up-to-date on the vet center program?

Mr. ALVAREZ. The vet center program, Mr. Chairman, is a very popular program, utilized extensively by the veterans in the communities themselves. The steering committee is still a functional committee and I understand it has been meeting as the need arises. I think that it is important to continue its function. There are some very good people on that committee and I would encourage and would advise that this function continue and I would also at this time tend to support my role as to be head of the steering committee in the future.

Chairman SIMPSON. And you look forward to participation in that?

Mr. ALVAREZ. Yes, I do, sir. I think that program has, in essence, been very successful. I think that the need for this type of a program is there as exhibited by the close to 120,000 veterans that have visited the centers in the last couple of years since the program was instituted. I feel there are probably many more out there who would avail themselves. I do think this effort needs further research to see how many—so we can get a feel for how many veterans would utilize, would participate in the program, but I think that the present effort should continue with full emphasis.

Chairman SIMPSON. Recently the former deputy had been assigned specific leadership responsibility in connection with the Agent Orange

Policy Coordinating Committee and under the Agent Orange Working Group, chaired by the Department of HHS, a member of that Department.

Specifically, have you been assigned to take over any active role as that of the former deputy in matters relating to agent orange and the herbicide issue? If not, who has been assigned the leadership role there?

Mr. ALVAREZ. Mr. Chairman, that issue has not been decided at this time. The program has in the past couple of years, as I understand, seen considerable delays but understandably also it is a very difficult program. There are many ongoing efforts and various research projects are underway. The effort, the complete effort, needs to be monitored very closely in the future in order to make a determination as to which organizational structure would give it the best possibility and chance for success in the future.

This is the first time that there has been a comprehensive budget for the agent orange program and I think that the ongoing efforts are good and they need to be continued. There have been, again, some delays, but there have been, I feel, some good reasons for the delays, not that they are desirable or in any way excuses, but I do feel that there are many ongoing efforts and all of these are an effort to link up the causes and effects of the—possible effects of the agent orange.

Chairman SIMPSON. Well, I think there is a sense of impatience surrounding the agent orange issues and I must admit to it myself; we need to be on with it and with the study by UCLA and the protocol; those are important things and we will be continuing to press that in our oversight capacity from here.

Let me just ask you another question and then I will ask the ranking member and Senator Denton if they have any questions. We will try to break the time into 10-minute increments.

But, the former deputy also had what was known as lead responsibility for the establishment of a policy with regard to automatic data processing systems to be acquired and utilized in the various medical centers nationwide over a 3-year period, beginning last February 1982.

Have you been now fully brought up to speed on the issues surrounding that decentralized ADP policy announced last February for the Department of Medicine and Surgery, and will you be assuming lead responsibility for that effort to provide the computer support systems for the VA centers? And, if not, who will have that responsibility or who would be assisting you and we appreciate your comments on that.

Mr. ALVAREZ. Mr. Chairman, the ADP program is a very complex program, in my estimation. There are many problems that need to be sorted out with the program. An ongoing effort at this time is a clarification to the decentralization of the program so that all parties within the agency understand their role and how they all fit into the integrated management of the automatic data processing program.

We have some new people aboard, a new Associate Deputy who has extensive experience in this area and we are examining the current program, making recommendations to the Administrator on how we should proceed at this time.

Again, there are many capable people working on the program, both within DM&S and ODM&T and those specific questions are being addressed at this time but no decision has been made on my par-

ticular role with respect to my predecessor's role and overall responsibility at this point.

Chairman SIMPSON. I thank you.

Senator Cranston.

Senator DENTON. Senator Cranston, excuse me, Mr. Chairman. I am late for another appointment. If I may, I would like to say hello to Mrs. Alvarez

Chairman SIMPSON. Thank you.

Yes, Al.

Senator CRANSTON. First, I want to note for the record that Senator Mitchell had an introductory statement he was to make and I would like that to appear in the record.

Chairman SIMPSON. Without objection.

Senator CRANSTON. To the extent that some Vietnam veterans have continuing needs or concerns arising from their service, do you believe that the Federal Government's programs to meet these needs are adequate? And if not, what specific new programs do you believe are needed or may be needed?

Mr. ALVAREZ. Senator, I don't feel I am in a position at this point to know if there are any new programs that may be warranted without having had the opportunity to fully scope out the existing programs and all of their aspects.

I do feel that there are needs out there as exemplified by the outreach counseling centers. I feel that these programs are being utilized by our veterans as evidenced by the popularity and utilization by the veterans.

The question that yet exists in my mind at this time is how many more veterans need to be reached with these, with this current ongoing counseling program, the outreach effort.

With respect to other issues, I think that the recent formation of the POW Advisory Committee can be very instrumental in recommending legislation to meet some needs and I do work very closely with General Flynn, the head of the committee. I also am enthusiastically looking forward to learning if there are other opportunities that would offer themselves, perhaps good opportunities say for new programs. But at this point I am in no position to venture any ideas on that.

Senator CRANSTON. Would you give more thought to that and respond to that in writing on that question?

Mr. ALVAREZ. Yes; I will, sir.

[Subsequently, the Deputy Administrator-designate submitted the following information:]

I do not believe that sufficient time has passed since the enactment of Public Law 97–37 to decide whether it adequately addresses the needs of former POW's, although I applaud the Congress' expansion of health-care benefits for such veterans. Under the authority granted by Public Law 97–37, VA has undertaken outreach efforts, promulgated regulations and constituted the Advisory Committee on Former POW's required by that statute. VA has also taken steps to identify current beneficiaries who are eligible for the broad health-care services authorized by the Act. However, these efforts are just beginning to have a measurable effect on the delivery of VA health care to POW's. Additionally, the Advisory Committee on Former POW's, itself, has not had sufficient time to study and assess the VA's delivery of health-care services to former POW's or the specific needs of those veterans. I believe that until the efforts undertaken to implement Public Law 97–37 are provided more time to measurably affect former POW's, so that they can be evaluated by VA, and until VA can obtain the benefits of advice from the new advisory committee, that it is premature to attempt to assess the adequacy of Public Law 97–37.

Senator CRANSTON. Will there be a focal point in the Administrator's office for Vietnam veterans' issues?

Mr. ALVAREZ. We have an ongoing examination of the current program at this time, primarily with the Vietnam veteran counseling centers. I think our view of that question itself is whether we need to expand that program or perhaps start thinking about some other parallel type of program. But at this point——

Senator CRANSTON. Do you have any concerns that you, yourself, as a Vietnam veteran will be underutilized with respect to issues regarding that program for Vietnam-era veterans?

Mr. ALVAREZ. No, sir, I have no concerns.

Senator CRANSTON. You think you will have a full opportunity——

Mr. ALVAREZ. Certainly.

Senator CRANSTON [continuing]. To have your say on that?

Mr. ALVAREZ. Yes, sir, I certainly do.

Senator CRANSTON. Do you believe the readjustment counseling program has suffered a loss of credibility with either Vietnam-era veterans or the administration as a result of the unfortunate events in the Birmingham and Mobile vet centers, specifically the suspension of seven staff members and the indictment of two of them on charges of distributing and possession of marijuana and cocaine, all precipitated by an undercover operation run by the Alabama Bureau of Investigation of the Justice Department and the VA's Inspector General?

Mr. ALVAREZ. Senator, I, in general, do not feel that the program has been damaged or impaired by the negative publicity given to that one center. In fact, my understanding that immediately after the period when those individuals were removed from that position and replaced, that the program continued without any further difficulty in that office comparable to the ongoing activities at the other 135 centers around the country.

Senator CRANSTON. Do you have any concerns regarding the use of undercover law enforcement agents at vet centers?

Mr. ALVAREZ. Sir, would you repeat that?

Senator CRANSTON. Do you have any concerns about the use of undercover law enforcement agents at vet centers? Do you think that's an appropriate procedure?

Mr. ALVAREZ. I really haven't had any time to even formulate any ideas——

Senator CRANSTON. Would you think about that and submit it——

Mr. ALVAREZ. I would like to submit that, sir.

Senator CRANSTON. ——for the record?

[Subsequently, the Deputy Administrator-designate submitted the following information:]

When alleged criminal activity is brought to our attention, the VA, of course, must act to insure improprieties are not occurring. I do believe that under all but the most extreme circumstances, confidences must be maintained and the confidentiality of records insured.

Senator CRANSTON. Do you know whether vet center case files, that is, confidential records involving individual clients at the two Alabama vet centers, were seized and impounded by law enforcement authorities?

Mr. ALVAREZ. I have no idea, sir.

Senator CRANSTON. Could you find out and respond for the record?

Mr. ALVAREZ. Yes, sir, I will respond.

[Subsequently, the Deputy Administrator-designate submitted the following information:]

It is my understanding that no law enforcement authority seized or impounded patient records maintained at the VA's Birmingham, Ala., Vet Center. These records were at all times under VA custody and control. Law enforcement authorities were not given access to them. To protect the integrity of the records once improprieties at the Birmingham Vet Center became known and law enforcement authorities were seeking access to them, the records were physically secured and transported from the Vet Center by the Associate Director, VA Medical Center, Birmingham, Ala., to safekeeping at the VA Medical Center. The records have been returned to the Vet Center where they are now under the control of new management at the Vet Center.

Senator CRANSTON. In response to written questions I submitted in connection with a hearing this committee held on May 5 on ADP, the former Deputy Administrator promised to provide the committee two items on June 30 and another by the end of July. I will submit a written question to you on these commitments, and I would appreciate it if you would follow up and provide information for me in writing on that score.

Have you been delegated specific responsibilities by the Administrator?

Mr. ALVAREZ. I have been delegated complete oversight on all VA day-to-day operations. I have been given no specific delegation on any issue but we are at this time addressing the question whether or not to continue some existing positions, the position that my predecessor had on a couple of the task teams or staff groups.

At this point we have not defined any particular position or issue that warrants change one way or another.

Senator CRANSTON. Is it your position that you should have delegated to you the same responsibilities that your predecessor had delegated to him? Do you have any position on what you feel should be delegated to you?

Mr. ALVAREZ. Senator, I feel that the delegation responsibility that has been given to me by Administrator Nimmo at this point is a proper delegation; that is, complete oversight rather than specific areas of responsibility and not involvement in other areas.

I feel I should have as his primary adviser complete oversight over all facets of day-to-day operations.

Senator CRANSTON. Does oversight mean you are just looking into matters or do you feel you will be involved in decisionmaking based on what you see?

Mr. ALVAREZ. On day-to-day operations it may involve his concurrence on many decisions, but also providing primarily advice on policy issues affecting veterans' issues or issues that arise.

Senator CRANSTON. I note in your statement this morning you have high praise for the heads of the VA departments: veteran benefits, medicine and surgery, and memorial affairs—Ms. Starbuck, Dr. Custis, and Mr. Bannai. Do you intend to involve them directly and personally in the process of decisionmaking regarding all matters affecting their departments?

Mr. ALVAREZ. Senator, yes, I do. I think it is key, I think it is paramount for the effective operation of this agency that these individuals be involved, completely involved, in the decisionmaking process of the agency.

Senator CRANSTON. In February of this year, the Administrator announced his decision to make a comprehensive review of the VA's medical facility construction program for fiscal 1984 and the outyears. To

accomplish this review, he established a "top level VA facility planning and construction committee to view policy options and analyze and recommend refinements and improvements."

In the VA's planning and construction procedure, the members of that committee served as the steering committee for the fiscal year 1984 medical facility construction and revalidation process. Your predecessor served as chairman of that committee.

For the record, not now verbally, would you please provide the committee with a status report on the activities of the committee and on the results of the revalidation process thus far?

Mr. ALVAREZ. I will be pleased to do so.

[Subsequently, the Deputy Administrator-designate submitted the following information:]

The Department of Medicine and Surgery (DM&S) and the Office of Construction (O/C) identified a total of 57 major construction projects which were potentially eligible for fiscal year 1984 budget consideration. The standard for inclusion on the fiscal year 1984 revalidation list was that preliminary design and a cost target on which to base a budget request potentially could be completed for the project by Fall 1982.

Multi-disciplinary VA teams began a review of these projects in March 1982. This review has now been completed and the results presented to the Administrator for his consideration. Based on the Administrator's review and the Chief Medical Director's program priorities among those projects revalidated, the Agency's fiscal year 1984 construction program will be developed and presented to Congress with our budget request in January.

Senator CRANSTON. Will you, as Deputy Administrator, serve as the chairman of the Revalidation Committee?

Mr. ALVAREZ. That is another function which we are currently reexamining at this point.

Senator CRANSTON. All right, if you would get back to us and report what your statement is on that.

[Subsequently, the Deputy Administrator-designate submitted the following information:]

At the conclusion of our fiscal year 1984 revalidation process, we will be assessing the applicability of that process to future years. Under my supervision, Mr. Bill Sullivan, Associate Deputy Administrator for Logistics, will chair the revalidation committee. As you know, he has been vice chairman and I believe it is important that he be allowed to expand his role in this effort.

Senator CRANSTON. In that regard, Mr. Chairman, I ask that a recent exchange of correspondence with the Administrator regarding the revalidation process be printed in the hearing record at this point.

Chairman SIMPSON. Without objection, it is so ordered.

[The exchange of correspondence referred to above follows:]

ALAN K. SIMPSON, WYO., CHAIRMAN
STROM THURMOND, S.C.
ALAN CRANSTON, CALIF.
ROBERT T. STAFFORD, VT.
JENNINGS RANDOLPH, W. VA.
DAN QUAYLE, IND.
SPARK M. MATSUNAGA, HAWAII
JEREMIAH DENTON, ALA.
DENNIS DE CONCINI, ARIZ.
FRANK H. MURKOWSKI, ALASKA
GEORGE J. MITCHELL, MAINE
ARLEN SPECTER, PA.
THOMAS K. HARVEY
CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, D.C. 20510

March 1, 1982

Honorable Robert P. Nimmo
Administrator of Veterans' Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420

Dear Bob,

I read with great interest and concern the February 19, 1982, press release by which you announced a major reexamination of the VA's five-year medical facility construction plans. I would welcome any improvements that you are able to make in VA's long-range construction planning for medical facilities, including the criteria by which major projects are developed and selected.

However, based on the release and an Associated Press report of an interview with you regarding the same subject (copy enclosed), I have the following concerns about the forthcoming reexamination of major projects.

1. According to the AP report, the one question you raised regarding the Minneapolis replacement hospital project was whether the construction of the replacement facility made sense in light of the 2,000 empty hospital beds that exist in non-VA hospitals in Minneapolis. As you may know, the VA's justification for the Minneapolis VA replacement hospital project focused on the obsolescence of the existing facilities and an analysis showing that construction of a replacement facility was a more cost-effective approach than renovation of the existing structures. On that basis, on May 1, 1980, I, as then-Chairman, urged that our Committee approve $15 million for the design phase of the project, under section 5004(a) of title 38, United States Code, and that approval was provided; pursuant thereto those funds were appropriated in the FY 1981 HUD-Independent Agencies Appropriations Act (Public Law 96-526).

In light of the demonstrated need for a replacement facility for the VA to provide directly quality health-care services to eligible veterans in the vast interstate area served by the Minneapolis VAMC, I am deeply concerned as to the relevance you seem to attach to the existence of empty beds in non-VA hospitals in that vicinity. Specifically, are you planning to include in the reexamination process the possibility of the VA contracting for hospital care for veterans at available non-VA hospitals or otherwise arranging for the use of beds in non-VA hospitals for the care of eligible veterans? If you are, what plans do you have for providing hospital care for veterans who are eligible for VA hospital care but as to whom the VA has no authority under chapter 17 of title 38 to contract for hospital care?

2. I note that the Minneapolis replacement hospital project -- for which an appropriations request for construction had been scheduled but was not forthcoming for fiscal year 1983 -- will, according to the AP report, be subjected to reexamination. On the other hand, your fiscal year 1983 appropriations request does include one project roughly comparable to Minneapolis, the $103.5 million request for a major replacement/modernization project at Albuquerque, planning funds for which ($11.5 million) were approved by our Committee and appropriated by the Congress last year, one year after the Minneapolis design fund approval and the appropriation therefor. I would like to know whether the Albuquerque project will also be subjected to the reexamination process; if so, do you still propose that our Committee approve the construction phase of that project under section 5004(a) and that the Congress appropriate funds for it before you have the opportunity to reevaluate the need for the project? If you do not plan such a reexamination of the Albuquerque project, I would appreciate receiving a detailed explanation as to why that is so.

In light of the relevance of your response to these questions regarding the Albuquerque project to our Committee's March 3, 1982, meeting to formulate our recommendations to the Budget Committee on the VA's budget for FY 1983, I would greatly appreciate your providing me with a response to these questions if at all possible before March 3, and responding to my other questions later. I very much regret the delay in getting this request to you and will understand fully if you cannot meet the above time schedule. In that event, a response by March 5 would be very helpful.

3. Neither the press release nor the AP report make clear which projects are being subjected to reexamination. According to the release, you have "directed that all construction projects planned for FY 1984 and the outyears be revalidated ... prior to being restored to the construction schedule"; and "projects funded on a multi-year basis will also be reassessed". Specifically what is meant by "projects planned for FY 1984"? Is that a reference to projects on which design work has been scheduled to begin in that year or to projects for which appropriations have been scheduled to be requested for the first time for that year? Also, since all VA construction appropriations remain available until expended, what particular projects are you referring to as being funded on a multi-year basis? Will the "reassessment" of those projects also entail the requirement of revalidation before further work proceeds on them?

According to the AP report, you said that you are "reconsidering $2.7 billion worth of construction" and the report indicated that "[a]ll of the projects under review already have been approved by the Congress" and are scheduled to be built in FY 1984. Please provide a list of projects approved by Congress and scheduled for construction in FY 1984, as well as a list of the projects you intend to reexamine, together with the estimated cost of each project on each list.

4. Also according to the AP report, you "said VA medical sites have always been selected on a political basis, with little consideration of whether shifts in veterans' population soon would make them unneeded." Similarly, the VA release states that you "indicated that VA's current long-range planning process does not ensure that our facilities are constructed where they will best serve the needs of our veteran population." Since it is my understanding, based on repeated VA assertions, that VA planning is based on current and future demographic characteristics of the veteran population, I would appreciate your providing a detailed description of the current planning process and explaining in what specific respects you find that process deficient with regard to demographic considerations.

5. Also according to the AP report, you described the process of selection for a new VA hospital, such as one that would "bring in 1,500 to 1,800 employment positions", as being an essentially political process in which the concept originates with a medical school dean and the local politicians, including the Member of Congress concerned. It is not clear to me that this is an accurate portrayal of the process that generally has obtained or, keeping in mind that the reexamination apparently will apply only to projects on which physical construction has not yet begun, that your description is accurate with respect to any projects that are currently scheduled to be undertaken in the future. It would be very helpful to understanding the actions you contemplate and the basis for them if you would please identify several projects that meet your description -- particularly any projects approved by this Committee under section 5004(a) of title 38 since October 1, 1979, when the Committee became charged under that provision with responsibility for approving major medical construction projects.

Moreover, I am puzzled as to why you raised, in justification of the need for reevaluation of the VA's current schedule of major construction projects, the specter of such a blatantly political process as the normal situation leading to construction of a new VA hospital. This specter certainly tends to bring disrepute to the VA health-care system in general and to the efforts of all those who have been involved in the VA's medical construction planning process up to this point. Thus, I would appreciate learning your reasons for the statements attributed to you in this respect.

6. I strongly urge that, to the degree that the question of the extent to which VA medical facilities should be affiliated with medical schools is considered in the context of your reevaluation of VA construction projects, as you have said it will be, you consult closely with the Chief Medical Director, the Association of American Medical Colleges, and representatives of veterans' service organizations regarding the value of those affiliations to the VA in providing quality care to veterans.

7. As I indicated above, I certainly am supportive of any needed improvements in the facility construction planning process and would greatly appreciate receiving a copy of the new standards that will be applied to the evaluation of construction projects as soon as those standards are developed.

Bob, I look forward to receiving your responses to the questions that I have raised and hope that your reply will assist us in better understanding the remarks attributed to you in the AP report.

Your continuing cooperation is greatly appreciated.

With warm personal regards,

Cordially,

Alan Cranston
Ranking Minority Member

Enclosure

cc: Dr. Donald L. Custis

98-358 O - 82 - 6

^Associated Press Write.^

WASHINGTON (AP) _ The Veterans Administration is holding up construction of new medical facilities for hundreds of communities until it can determine whether they really are needed.

Even though he anticipates outraged opposition, VA administrator Robert Nimmo said he is reconsidering $2.7 billion worth of construction of new, modernized or replacement hospitals, clinics, nursing homes and domiciliaries, or residences for aging veterans.

All the projects under review already have been approved by Congress and are duled to be built in fiscal year 1984 or later. Fiscal year 1984 starts Oct. 1, 1983.

Some of the facilities may never be built, he said, if they cannot be justified under new criteria to be developed by the VA.

Another $1 billion worth of fire, safety and seismic-related construction scheduled for after 1983 will not be delayed, Nimmo said.

''I'm going to get tons of flak,'' Nimmo said in an interview Friday in which he discussed his new policy. ''There will be outrage expressed.''

As chief of the VA, Nimmo runs the nation's biggest medical care system.

The VA annually provides free treatment to nearly 20 million veterans _ 1.8 million hospital patients and 18 million outpatients _ at 172 hospitals. Often the VA hospital is the largest single employer in a community.

Nimmo said he knows the construction freeze will be characterized as ''the administration's attack on the veteran _ an attempt to do away with our integrated, quality health care system.''

What he is really trying to do, Nimmo said, is to protect a system that can be attacked as irrational in deciding where new facilities are to be built.

''The best way to protect it is to give it credibility,'' he said. ''The question comes down to: are we building for the veteran, to meet his needs, or are we building for some other purpose?''

For example, Nimmo said, a big replacement hospital is scheduled for Minneapolis, even though that city's other hospitals have vacant beds. That project will be reconsidered under Nimmo's new policy.

''Does it make new sense to spend $200 million for a replacement VA hospital in Minneapolis where we've got 2,000 empty beds already there and where you've got a declining veteran population?'' Nimmo asked.

He said VA medical sites always have been selected on a political basis, with little consideration of whether shifts in veterans' populations soon would make them unneeded.

''I just discovered that the other day,'' he said. ''Lights began to dawn on me how some of these things got put where they are.

''If you have a very active dean of a teaching hospital who can organize the local politicians and say what a marvelous thing it would be if we had a VA hospital here that would provide outstanding care to the veterans of the community and at the same time bring in 1,500 to 1,800 employment positions, it becomes a very strong political force.

''And the local congressman of course listens to that and says, 'Gosh, yes, it would be a good thing to have that hospital in my district and support all those people and make the dean of the university happy. And that's sort of the way it evolves.''

Under the new policy, post-1983 construction projects will have to be found valid under ''new and defensible criteria'' before they are returned to the construction schedule.

Work scheduled for fiscal 1983, which starts Oct. 1, will not be affected.

Nimmo said another issue to be considered is whether future VA hospitals should be part of university medical schools.

Presently, 139 are affiliated. The cost is ''tremendous,'' Nimmo said, because the VA provides staff, classroom space and research money.

With few exceptions, he said, affiliated university teaching hospitals would fold if the affiliation ends.

''I would defend to my last breath the idea that the VA ought to be involved in medical research,'' he said.

''But I do not believe that it is in the interest of the veteran or the taxpayer to assume, as we have, that virtually every VA hospital has to be affiliated with university teaching hospitals and engage in all kinds of research.''

He said the VA may be contributing to a national surplus of doctors as well as an oversupply of hospital beds.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

MARCH 17 1982

Honorable Alan Cranston
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Cranston:

I am pleased to respond to your letter of March 1, 1982, regarding the Major Construction program review I announced on February 19.

Specific responses to your inquiries follow in the order stated in your letter.

1. The Veterans Administration is not proposing any change in the extent to which non-VA resources are or will be used in the medical treatment of eligible veterans. My reference to the 2,000 empty non-VA hospital beds in the Minneapolis area merely reiterates the concerns of the Minneapolis Metropolitan Board of Health regarding the size of the Minneapolis replacement project.

The Veterans Administration is required under OMB Circular A-95 to provide State and Areawide Clearinghouses with an opportunity to coordinate review of proposed VA major construction projects with appropriate Health Systems Agencies, State Health Planning Agencies and other affected agencies and consider such agencies' comments. The VA appreciates the input of community health providers and is sensitive to concerns that we compete with or duplicate private sector medical resources. While this Agency's statutory mission is and remains the provision of quality, comprehensive medical and hospital service to eligible veterans in VA facilities, I believe it is imperative that we are able to fully justify the bed-sizing and medical services we select for our hospital and nursing home care projects. As the Minneapolis project has not been funded for construction, it is one of the projects included in the construction program review I initiated for those major construction projects planned for construction funding in FY 1984 and the outyears. I would note that the design work on the Minneapolis project will not be halted during the revalidation review and will continue on schedule, unless the review indicates that there should be a change in scope.

2. The inclusion of the Albuquerque Clinical Services and 380-Bed Building project in the FY 1983 budget request was due to the fact that the preliminary plans and cost target for this project were completed in time for the budget submission. The design of the Minneapolis

replacement hospital project, by contrast, is still in an early stage and a cost target is not yet available on which to base a construction funding request.

The Albuquerque project is not included in the construction program review as I made the decision to include only those major construction projects for which construction funding might be requested by the VA in FY 1984 and the outyears. The bases for my decision were several. First, revalidating projects already approved and funded for construction by Congress could have resulted in delay of needed medical care facilities, subsequent increased costs, and in some instances, possible contractual liabilities. It was our view that such impacts are not warranted or desirable. I was confirmed as Administrator for Veterans' Affairs in July 1981. The FY 1982 budget had already been submitted to Congress and had been approved by the appropriate Congressional Committees. These FY 1982 projects are currently under construction or well into working drawings. With respect to the FY 1983 projects, it was my determination that revalidation would be unduly disruptive of both the VA's and the Congressional budgetary process. The logical fiscal year with which to begin was FY 1984. We feel that focusing our construction review on projects still in an early stage of design will mitigate potential project delays and facilitate incorporation of design changes if such are found to be needed.

We at the VA firmly believe the Albuquerque project is justified as proposed to Congress and hope that Congress will approve our $103.5 million construction funding request for this project. The working drawing contract for Albuquerque was awarded on December 12, 1981.

3. The initial focus of the construction program review is to assess and revalidate that pool of major construction projects potentially eligible for construction funding in FY 1984. Projects viewed as potentially eligible are those which will have their preliminary plans and cost targets completed by October 1982. Only those projects which justifiably entail direct patient safety such as electrical deficiency corrections, fire and safety improvements, and seismic strengthening are excluded from the FY 1984 revalidation.

A list of the potential projects which may have preliminary plans and cost targets completed by October 1982 is attached. This list was developed by the Department of Medicine and Surgery and the Office of Construction and is still being refined by those departments.

As you will note, five of these projects already have been funded for design or design funding was requested in the FY 1983 budget.

These five projects are funded on a multi-year basis. The five projects are included in the revalidation review as construction funding has not yet been requested. The five projects are:

o Biloxi, MS	Modernize Various Buildings
o Chicago (WS), IL	OPC Addition/Renovate Buildings 11a & 11b
o Minneapolis, MN	Replace Hospital Buildings
o Pittsburgh (UD), PA	OPC Addition
o Salem, VA	Renovate Building 76

As with the Minneapolis replacement project, I would note that design work on all of the projects being revalidated will be continued on current schedule, unless significant problems are identified by the revalidation process which would require that a project be rescoped.

The decision to assess the Agency's FY 1984 and outyear major construction projects was prompted by the need to ensure that our construction program is based on an accurate assessment of the health care needs of our veterans, accurate space and functional criteria, and up-to-date demographic data.

Like any other organization, the VA must periodically review its effectiveness and assess its direction. Recent audits by the VA's Inspector General and the General Accounting Office have found some instances of planned projects which would have resulted in overbuilding and occasional lack of project justification. Recent Congressional concerns have highlighted that the Agency needs to evolve a more objective system of criteria by which to prioritize and justify the construction projects it submits for funding.

We want to be responsive to these concerns and improve our facility planning and construction procedures to minimize the problems identified.

In addition, changing eligibility over the years, altered patterns of demand, development of more accurate projection models and a different economic environment dictate the Agency's construction program be assessed to determine if projects placed in the pipeline five or six years ago are still needed and justified.

These are the goals of our construction program review and we are approaching our task at several different levels.

First, Agency personnel are preparing a report for me which will update the last major overview of veteran health care needs and the options to meet those needs which was done in 1977-1978. I expect to receive this report in the near future and subsequently issue updated policy guidance which will provide direction to our long-range planning for the VA's health care delivery system. This guidance will also be incorporated in our revalidation of FY 1984 and outyear construction projects.

As a separate, but related effort, the Department of Medicine and Surgery is assessing and will make recommendations to me for the future of the VA's domiciliary and nursing home care programs.

Further, on February 1, I initiated a newly-established, top-level VA Facility Planning and Construction Committee (FPACC) to serve as a steering committee for our revalidation of future construction projects as well as to review policy options and analyze our planning and construction procedures.

Given our deep concern over building costs, particularly in the nursing home care program, I have established a separate task force to recommend means of reducing the Agency's inordinate nursing home construction costs. Clearly we need to address the issue of why the private sector can build nursing homes for between $58.00 - $65.00 per square foot while it costs the VA approximately $131.00 per square foot. The task force has just finalized its first set of recommendations. The recommendations were approved by all affected elements within the VA and will reflect a total cost reduction for a 120-bed VA nursing home in the order of magnitude of between $800,000 to $1 million. The task force is continuing to meet and express optimism that further cost savings can be achieved.

As far as the revalidation process itself, each project will be given critical review by a team composed of representatives of the Department of Medicine and Surgery, the Office of Construction, the Office of Budget and Finance, and the Inspector General's office. In brief, the revalidation review will entail both Central Office review as well as onsite visits to revalidate the project's need, justification, workload data, and scope.

4. Deficiencies in the VA's planning process are documented by the fact that audits by the VA's Inspector General have contributed to

several project cancellations or redevelopments based in most instances on insufficient workloads to support the project need. In addition, significant shortcomings in the Agency's current construction planning process have been identified by the Department of Medicine and Surgery with emphasis on the need to improve and strengthen the reliability of demographic and patient utilization data.

Recognizing these deficiencies, nearly two years ago the Chief Medical Director initiated development of a Medical District Initiated Program Planning (MEDIPP) process which the Department believes will overcome current planning deficiencies. MEDIPP, however, is not fully developed and the first construction year in which it will impact is FY 1985 or later. In the interim, we must take further initiatives such as those I described in paragraph three.

In terms of our current planning process, the major construction projects included in the FY 1983 budget request were identified through the five-year medical facility planning effort and developed through preliminary planning as part of the VA's advanced planning process (APP) as further described in detail in the enclosed Five-Year Medical Facility Construction Plan. While this process did provide for consideration of project options and conceptual alternatives, the basic considerations which should drive the Agency's construction program have not been comprehensively reassessed since 1978. Since that time, eligibility for VA health care has changed; the demographics of the veteran population have altered; and more accurate and sophisticated data bases exist on which to project the Agency's long-range planning. We also have the new MEDIPP Baseline Submissions submitted by the Medical Districts to Central Office in January 1982 on which to reassess our FY 1984 and outyear construction projects.

5. My reference to the role of politics in the VA's facility construction program recognizes that the environment in which the VA health care delivery system operates is one characterized by multiple internal and external forces which input into decision-making at all levels of the Agency. Our affiliated medical schools frequently express interest in expanded research programs and additional VA medical center space for research and educational activities which will result in improved levels of clinical care. Members of Congress appropriately take an active interest in VA medical facilities in their States. Citizen groups often take an active stance either for or against planned VA medical facility projects. Veterans service organizations reflect the interest of the veterans they represent in particular VA medical program areas.

Our planning process must recognize that there are increasing demands being placed on the system, while at the same time we may face a budgetary future of diminished construction resources. The need to be able to objectively prioritize and justify our construction projects, reduce our construction costs, and improve our planning process has never been greater.

6. In closing, I wish to assure you that this Agency is and remains dedicated to providing an integrated and comprehensive health care delivery system which provides quality medical treatment to our eligible veteran population. The need for cost containment is a perennial one which faces all organizations with limited budget resources. At the VA, we, like those other organizations, must continually and carefully scrutinize and evaluate our construction budget allocations and be able to justify their effectiveness in meeting our primary mission—the provision of quality health care to this Nation's veterans. You may be assured that I will continue to closely consult with the Chief Medical Director, representatives of the veterans service organizations and other affected organizations as we pursue this mission.

I appreciate the opportunity to respond to your questions and concerns with respect to the construction program review I have initiated and hope it will have your support as we work together to improve the VA's medical facility construction program. I would be pleased to provide any further information you might wish.

The procedural format for the construction program review is under refinement and will be provided to you, as requested, in the near future.

Sincerely,

ROBERT P. NIMMO
Administrator

Enclosures

PROJECTS FOR REVALIDATION - MAJOR FY 1984

AS OF MARCH 5, 1982

NOTE:

Some of the projects on the following list indicate a preliminary completion date later than 10/82. These projects were included at the request of DM&S as the potential exists prelims could be completed earlier in time for the FY 1984 budget submission.

KEY:

* Questioned by I.G.
\+ Split Funded
o Fire/Safety

	MEDICAL CENTER	MEDICAL REGION	PROJECT ID	PROJECT TITLE	P.P. COMP	COST $(000)	
	ALEXANDRIA, LA	3	502-058	Clin. Improvements & Relocate Support Function	6/82	30,000	
	AMARILLO, TX	6	504-026	Addn/Renov. Clin. Support	6/81	44,000	
	BATH, NY	1	514-068	Renovate Bldg. 78 for NHC	12/80	7,200	
	BATTLE CREEK, MI	4	515-083	Renovate Bldg. 82 (First & Second Floors - Patient Privacy)	2/82	5,800	
*	BECKLEY, WV	2	517-013	Clinical Addition & Alterations	10/80	25,000	*
+	BILOXI, MS	3	520-056	Modernize Various Buildings (BD & GD)	9/82	87,300	
	BROCKTON, MA	1	525-016a	Modernize Bldgs. 2 & 7	8/79	29,500	
	BROCKTON, MA	1	525-021	Addition & Renovation for SCI	6/82	6,800	
*	BUFFALO, NY	1	528-039	Res. & Education Facility	3/81	27,400	*
	CASTLE POINT, NY	1	533-056	Building Addition	5/81	15,000	
	CHARLESTON, SC	3	534-015	Clinical Addition	4/82	20,000	

2.

MEDICAL CENTER	MEDICAL REGION	PROJECT ID	PROJECT TITLE	P.P. COMP	COST $(000)	
CHEYENNE, WY	5	442-023	Exp/Renov. Bldg. 1 (Clinical Function)	11/82	7,700	
+ CHICAGO (WESTSIDE), IL	4	537-024	OPC Addition/Renov. Bldgs. 11a & 11b	1/82	40,500	
o CINCINNATI, OH	4	539-026	Upgrade Electrical Distribution	3/82	3,000	
CLARKSBURG, WV	2	540-068	Clinical Addition & Alterations	12/82	15,000	
CLEVELAND, OH	4	541-021	Clinical Impr. (Surg. Svc. Reloc.)	4/82	15,000	
DURHAM, NC	2	558-025	Additional Elevators	12/81	4,300	
EAST ORANGE, NJ	2	561-034	Reloc./Consol. Res.	10/82	5,300	
EAST ORANGE, NJ	2	561-035	120-Bed NHCU	2/83	15,000	
* FAYETTEVILLE, NC	2	565-027	Clinical Addition	4/82	15,800	*
FRESNO, CA	6	570-019	Clinical Addn. (Dental, Surg., RMS, etc.)	11/82	10,000	
* HINES, IL	4	578-096	New Warehouse/Service Building	10/81	11,000	*
HINES, IL	4	578-097	HVAC Bldgs. 50, 51 & 53	2/82	44,000	
* HOT SPRINGS, SD	5	579-040	Clinical Addition	8/80	14,700	*
LAKE CITY, FL	3	594-036	OP & Clinical Addition	8/82	6,000	
o LEAVENWORTH, KS	5	686-062	F&S Improvements (Exit & Sprinklers)	3/82	7,500	
* LEAVENWORTH, KS	5	686-060	208 Domiciliary	7/81	14,900	*
o LIVERMORE, CA	6	599-054	Fire & Safety Improvements	7/82	3,500	
LOMA LINDA, CA	6	605-004	60-Bed NHCU	10/82	6,000	
LOS ANGELES (WAD), CA	6	691-090	Renovate Bldgs. 212, 214 & 217 for DOM	9/81	17,300	

MEDICAL CENTER	MEDICAL REGION	PROJECT ID	PROJECT TITLE	P.P. COMP	COST $(000)
LOS ANGELES (WAD), CA	6	691-098	120-Bed NHC (Conversion) Bldg. 213 (Phase II)	3/82	10,500
LYONS, NJ	2	604-064	120-Bed NHCU	8/82	18,200
MANCHESTER, NH	1	608-014	Laundry, Warehouse, Engineering Facility	10/82	10,000
MARTINEZ, CA	6	612-018	120-Bed NHCU	6/82	14,400
MIAMI, FL	3	546-014	120-Bed NHCU	8/82	16,000
+ * MINNEAPOLIS, MN	5	615-001	Replace Hospital Buildings	6/82	294,000 *
MONTGOMERY, AL	3	619-020	OPC Addition	9/80	18,100
NEWINGTON, CT	1	627-032	Addition to Bldgs. 1 & 2	4/80	45,000
o NEW YORK, NY	1	630-025	Upgrade Elec. Distribution, Phase II	10/78	4,000
NORTHPORT, NY	1	632-062	120-Bed NHCU	9/82	13,800
* OMAHA, NE	5	636-022	OPC Addition	9/80	24,200 *
PERRY POINT, MD	2	641-079	New Laundry Building	8/82	18,500
+ PITTSBURGH, PA (UD)	2	646-024	OPC Addition	2/82	22,680
PITTSBURGH, PA (HD)	2	645-017	Laundry	10/82	12,000
PITTSBURGH, PA (UD)	2	646-025	Centralized Warehouse Facility	10/82	4,200
* PRESCOTT, AZ	6	649-047	200-Bed DOM/60-Bed NHC	3/81	30,000 *
PROVIDENCE, RI	1	650-025	60-Bed NHC	10/82	6,500
RICHMOND, VA	2	651-003	Automated Transport System	5/78	4,200
ROSEBURG, OR	6	653-027	OPC Addition	2/82	28,000

4.

MEDICAL CENTER	MEDICAL REGION	PROJECT ID	PROJECT TITLE	P.P. COMP	COST $(000)
+ SALEM, VA	2	658-038	Renovate Bldg. 76 (Intermed)	4/77	5,510
SAN ANTONIO, TX	5	671-009	Supply Warehouse & SPD	6/79	5,800
SAN FRANCISCO, CA	6	662-043	120-Bed NHCU & Parking	6/82	14,400
* SIOUX FALLS, SD	5	438-020	Clinical & Support Service	10/82	21,000 *
o SYRACUSE, NY	1	670-016	F&S Improv., Pat. Priv. & Support Sys.	5/81	12,000
TOMAH, WI	4	676-031	Modernize Bldgs. 406 & 408	9/82	5,400
WACO, TX	5	685-041	Construction-New Dietetic Bldg.	3/81	8,400
				56 PROJECTS TOTAL:	$ 1,221,290

NOTE: THE PROJECTS HIGHLIGHTED IN YELLOW ARE ONES WHICH APPEAR TO ENTAIL DIRECT PATIENT SAFETY. IF SO, THEY WILL BE EXCLUDED FROM THE REVALIDATION PROCESS.

ALAN K. SIMPSON, WYO., CHAIRMAN
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DONALD W. RIEGLE, JR., MICH.
GEORGE J. MITCHELL, MAINE

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, D.C. 20510

July 1, 1982

Honorable Robert P. Nimmo
Administrator of Veterans' Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420

Dear Bob,

Many thanks for your letter of June 7 and for advising me of your decision to proceed with the site preparation necessary for the planned replacement medical center construction in Minneapolis, Minnesota.

In light of the fact that this construction project was, as you noted, one of the major construction projects being reassessed as part of the VA construction review you announced on February 19, I am interested in the grounds upon which you reached your decision. Specifically, I would like to know the basis on which the revalidation was made and what alternatives -- such as reduction in the number of beds -- were explored in the revalidation process and the reasons why those alternatives were rejected. Also, please describe any existing sharing agreements under section 5053 of title 38, United States Code, between the Minneapolis VAMC and the University of Minnesota Hospital, and indicate what plans you have for continuing such agreements or negotiating new ones after the construction of the replacement VA facility is completed. Also, please indicate the impact that such continued or planned sharing agreements will have on the cost and scope of the construction project.

Further, in your letter to me of March 17, 1982, you stated that "updated policy guidance which will provide direction to our long-range planning for the VA's health care delivery system" was being prepared and that this guidance would be incorporated in the revalidation of FY 1984 and outyear construction projects. In light of the foregoing, please provide a copy of that updated policy guidance and describe specifically how that guidance was applied to the revalidation of the Minneapolis VAMC project.

In addition, I would appreciate receiving from you a current estimate of the total cost of the replacement project, along with an indication as to when the VA expects to submit a request for construction funds and whether full funding or phased funding will be sought. Is it correct to assume -- since projects which were scheduled to be revalidated were those considered "potentially available for inclusion in the FY 1984 budget" (February 26, 1982, memorandum to the FPAC Steering Committee from William F. Sullivan, Associate Deputy Administrator for Logistics) -- that funds will be requested for the Minneapolis project in the VA's fiscal year 1984 budget request?

Finally, I would appreciate being advised as to whether the Office of Management and Budget concurs with the cost and scope of this construction project as presently planned by the VA.

I look forward to hearing from you regarding this matter.

With warm regards,

Cordially,

Alan Cranston
Ranking Minority Member

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

JULY 22 1982

Honorable Alan Cranston
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Senator Cranston:

I am pleased to respond to your letter of July 1, 1982, requesting information on the status and revalidation of the Replacement Medical Center project at the VA Medical Center, Minneapolis, Minnesota.

As you know, the Minneapolis replacement project is one of a number of major construction projects being assessed and revalidated for potential FY 1984 construction funding consideration. While the revalidation process for the Minneapolis replacement project has been completed and the project found appropriate as currently planned, we cannot at this time determine if the Minneapolis project will be included in our FY 1984 budget request.

Prior to making such a determination, those projects found eligible for possible FY 1984 construction funding, both in terms of the revalidation process and the availability of a preliminary design cost target, will be reviewed by the Chief Medical Director who will advise me of the Department of Medicine and Surgery's priorities among these projects. Based on these priorities and our budget level, we will develop our FY 1984 construction program. To the extent funds will be available for major hospital replacement, however, we anticipate that the Minneapolis project will be a strong candidate for funding in FY 1984.

Work on the preliminary design plans for the Minneapolis replacement project began in June 1981. The current project schedule anticipates that preliminary plans will be completed in October 1982. With award of the site preparation contract by September 1982, the Minneapolis replacement project remains on current schedule and eligible for construction funding consideration for FY 1984. Indeed, the working drawings for the first phase of the new hospital building are scheduled to be completed so that a construction contract award now appears feasible in October 1983, depending upon the availability of FY 1984 funds and unforeseen delays in the project schedule.

The current estimated cost of the Minneapolis replacement project is $282 million, of which $15 million was appropriated in the FY 1981

budget for design and site preparation. Based on this current cost data, approximately $267 million will be required for construction funding and contingencies. While a final decision has yet to be made, I anticipate that at the time further funding is requested for the Minneapolis project, we would request the full funding of $267 million rather than phased funding.

As with funding for all major construction projects, however, I would emphasize that any budget decisions pertaining to the Minneapolis project will require coordination with the Office of Management and Budget (OMB). I did seek and receive OMB's concurrence to proceed with necessary site preparation work for the project, including construction of a temporary clinic building, alteration of existing utilities, and demolition of several buildings. As you know, the Agency found it necessary to seek clarification of our authority to use a portion of the $15 million appropriated in FY 1981 for site preparation work and concurrence was received from the appropriate House and Senate committees as well as OMB. OMB's concurrence in proceeding with the site preparation work, however, was limited to that work only. At the appropriate time in the budget cycle, we will seek OMB's concurrence in the remaining scope and cost of the project. Our immediate interest in the site preparation work was predicated on the need to keep the preparatory work for the project on schedule in order to avoid construction schedule delays and associated cost escalations should construction funding subsequently be requested and approved.

With regard to the revalidation of the Minneapolis replacement project, the project plan was reviewed both here in Central Office as well as onsite. The revalidation included examination of the project documentation; bed and workload projections; technical, functional and spatial deficiencies; and alternatives to total replacement. The review found that space deficiencies exist in most of the Medical Center's services and functions, and functional adjacencies between many critical areas are seriously inadequate. For example, outpatient activities located in Buildings 3, 4, 5 and 6 are approximately 2,000 feet away from major support areas such as Radiology, Laboratory and Pharmacy. Some outpatient functions are located at Fort Snelling approximately 1-1/2 miles away. Technical assessments of the Minneapolis Medical Center also identified numerous physical deficiencies, including fire and safety hazards, in virtually all existing structures. In addition, patient privacy deficiencies and inadequate toilet and bathing facilities are conspicuous in all nursing units. It should be noted that 40 percent of the current hospital operating beds are located in patient buildings activated in 1927.

As part of the review, bed and workload projections also were reassessed based on the VA/GAO bed sizing model using 1990 projections. The figures supported the current plan of 845 beds

(725 acute and 120 nursing home care), although I should mention that 1980 census data are not yet available to us. Medical District personnel contend that the 1980 census data are likely to support a slightly greater bed requirement, but this contention cannot be verified until the data are available. In terms of outpatient visits, currently available data project an increase from 222,923 outpatient visits in FY 1981 to 248,700 visits in FY 1990. With respect to the 120 nursing home care beds to be provided by the planned replacement, the aging veteran population in the area provides substantiation of need. Based on current data, the number of veterans aged 65 years and older in the Minneapolis primary service area is projected to increase from approximately 62,720 (current level) to 126,400 in 1990. Medical District 18, which includes VAMC Minneapolis, currently has 169 VA nursing home care beds with a projected need through 1987 of 328.

At the conclusion of the review of space, functional and technical deficiencies at the Minneapolis Medical Center, various alternatives to the current project scope were explored to determine the appropriateness of the chosen concept to meet the deficiencies identified. Earlier evaluations by the Office of Construction (O/C) had determined that, aside from Building 49 which was constructed in 1970 and is being retained for Animal Research and Radiation Therapy and an underground addition to Building 49 built in 1976 which is also being retained for use, only Building 43, constructed in 1953, had any potential for long term use. The remaining buildings activated in 1927 and the Quonset Huts erected in 1947 were determined inadequate for continued use and inappropriate for renovation. It was also concluded that the retention of Building 43 for patient care or support functions was not cost effective and that the building should be transferred to the General Services Administration. A conceptual study and cost estimate prepared by Ellerbe Associates in 1979 and reviewed by O/C's Estimating Service indicated that there was less than a one percent cost differential between major replacement as now planned and renovation of Building 43 with less new construction.

In an attempt to verify this earlier conclusion, the physical and functional state of Building 43 was reassessed and several options explored which would use all or a portion of Building 43 as an alternative to new construction. This reassessment had to take into account that the alternative might significantly delay the project schedule or cause a major architectural or technical redesign of the new hospital, and those associated costs had to be considered in the review of options.

The alternatives included renovating all of Building 43 for patient, administrative, and support use, including the 120 nursing home care beds, and connecting Building 43 to the new hospital by a corridor. The planned fourth floor of the new hospital would be deleted as the

need for this space would be offset by the availability of Building 43. Major technical deficiencies in Building 43 would be corrected. Another option proposed to renovate only the first four of the eight floors of Building 43, omitting correction of some technical deficiencies such as roof and window replacement. Most of Building 43 under this option would have been for administrative and support services with one floor used for the 120 nursing home care beds and provision made for some intermediate care beds.

The costs associated with these options were estimated, schedule slippage necessitated by redesign was considered, and functional and technical issues were assessed. It was concluded that if sufficient funds were spent, Building 43 could be used functionally for patient care, research, administration and other support functions. However, based on the magnitude of work that would be required on Building 43, the cost of either option would be equal to or exceed the currently planned total replacement if only minimal slippage of the project schedule were to occur. A major recycling of the preliminary drawings which is more probable would cause even further delay and result in subsequent additional cost escalation. It was also determined that use of Building 43 still would result in less than optimal functional adjacencies and operational efficiencies. The unanimous conclusion resulting from the revalidation process was that the Minneapolis replacement project should proceed as currently planned.

With reference to your request for information on sharing agreements, the VAMC Minneapolis currently has two sharing agreements with the University of Minnesota Hospital. One agreement provides for furnishing gastroenterology diagnostic procedures and neurosurgery procedures. The second provides for furnishing methotrexate assays. In both instances the VA medical center provides the services. These agreements have been in effect for some time and have recently been renewed through June 1983.

Although there are also innumerable informal cooperative ventures between the two hospitals, it is not likely that sharing agreements for health care services will have any great impact on the cost or scope of the VA construction project. This is the case primarily because the Minneapolis VAMC and the University of Minnesota Hospital are about seven miles apart. In the past we have been able to plan to take advantage of sharing to reduce the scope of a project when there was proximity of the VAMC and sharing hospital. In those instances the two institutions were adjacent to each other and access by means of a connecting bridge or tunnel literally tied the two together. Since that will not be the case in Minneapolis, other considerations, such as the area's severe winter weather, are important factors which affect potential sharing agreements and need to be taken into account in the overall provision of quality patient care.

In reference to the remaining issue raised in your letter - updated policy guidance to provide direction to our health care facility planning process - I am continuing to work with the Chief Medical Director to develop appropriate interim policy guidance to assist in the formulation of a FY 1984 revalidated construction program. In addition, the Chief Medical Director is developing in conjunction with the new Medical District Initiated Program Planning (MEDIPP) system long-range options for my review which will reflect an update of the last major policy guidance issued on health care facility planning in 1978. Because of the potential impact of the MEDIPP system on the VA's facility planning process, I have delayed my original schedule for issuing final policy guidance in this area in order to take advantage of the MEDIPP products. As you may know, the first full MEDIPP plans are due in Central Office from the 28 Medical Districts in November 1982. The guidance for FY 1984 and the outyears will reflect our commitment to the development and operation of a quality, integrated and comprehensive health care delivery system sensitive to the medical needs of our aging veteran population.

I appreciate your continued interest in the Minneapolis replacement project as well as the VA's efforts to improve its health care facility planning and construction process.

Sincerely,

ROBERT P. NIMMO
Administrator

Senator CRANSTON. I have been trying for a number of years to assist a former VA physician in his attempts to receive a hearing on his allegations of discrimination during his employment. In the course of these efforts, I recently became aware that there is a very significant backlog of cases in the VA's Equal Opportunity Staff Office. Because of this backlog, many of the individuals who believe that they have been discriminated against haven't been able to pursue their complaints in a timely manner. I am sure you will share my concern about about that backlog. I will give you a copy of a letter I have sent the Administrator on this matter.

I would appreciate it if you would give this matter your personal attention and after you have looked at it, let me have your thoughts on what should and will be done to eliminate that backlog.

[Subsequently, the Deputy Administrator-designate submitted the following information:]

I am aware that there is a backlog of cases within the Equal Opportunity Staff and the Board of Veterans' Appeals and other areas. We inherited this backlog and are deeply concerned about it. As a manager I am looking into this entire area to determine an appropriate course to take. I believe it would be premature for me at this time to determine what should be done since a variety of circumstances need to be considered, many of which are not within the control of the VA. I am sensitive to the timeliness issue and I will do all I can to make the VA more responsive. In fact, I have directed the Associate Deputy Administrator for Administration, Dennis Kenneally, to personally make an effort to reduce this backlog. Just last week, Mr. Kenneally met with all Equal Opportunity personnel in Los Angeles to review their problems in detail.

Senator CRANSTON. There are some excerpts from the DAV's testimony today and the Paralyzed Veterans of America on your nomination that I would like you to comment on in writing. I will submit those two statements to you.

Thank you very much.

Mr. ALVAREZ. Thank you, sir.

Senator CRANSTON. Thank you, Mr. Chairman.

Chairman SIMPSON. You bet.

Senator CRANSTON. I look forward to working with you.

Chairman SIMPSON. Thank you, Al, for your presence.

[The response of the Deputy Administrator-designate to written questions submitted by Hon. Alan Cranston, ranking minority member of the Senate Committee on Veterans' Affairs, follows:]

RESPONSE OF THE DEPUTY ADMINISTRATOR-DESIGNATE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN CRANSTON, RANKING MINORITY MEMBER OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. With respect to "Vietnam veterans issues", what specific responsibilities will you have regarding readjustment counseling, Agent Orange, and employment?

ANSWER:

I am, of course, personally directly concerned with and dedicated to fully addressing and resolving the Vietnam veterans issues. Specifically, I will chair the Readjustment Counseling Steering Committee and the Agent Orange Policy Coordinating Committee. With respect to the issue of veterans' employment, I will, among other things, be the VA's liaison with all other appropriate Federal agencies concerned with employment problems, including the Department of Labor. In addition, I will actively undertake and fully participate in the management and oversight of all the VA programs dealing with and affecting these important issues.

Question 2. Will there be a focal point in the Administrator's office for Vietnam veterans issues?

(i) (If so) Who will serve as the focal point and who will this person be reporting to?

(ii) Are you satisfied with the arrangements in general for dealing with Vietnam veterans issues in the Administrator's office and that these arrangements will achieve the necessary coordination between various programs pertaining to Vietnam veterans?

ANSWER:

(i) As the highest ranking Vietnam veteran in the Veterans Administration, I will be the focal point within the Agency for Vietnam veterans issues. As noted in my response to the preceeding question, I will personally be directly involved in addressing these issues. I report directly to the Administrator.

(ii) I am presently in the process of thoroughly familiarizing myself with the arrangements within the Administrator's office, as well as throughout the Agency, for dealing with Vietnam veterans' issues. At present, I am, in general, satisfied that these arrangements will achieve the necessary coordination among the various programs. I do believe that all issues, including the Vietnam veterans issues, should be fully staffed as the best means of insuring that the available expertise of the Agency is fully utilized.

Question 3. The Administrator established the Readjustment Counseling Steering Committee on November 10, 1981, and made the previous Deputy Administrator the chairman of that Committee.

A. Who will now chair that Committee?

B. (If not Mr. Alvarez) Will you be participating in this Committee, and if so, in what capacity?

C. How often will the Committee meet.

ANSWER:

A. I will chair the Readjustment Counseling Steering Committee.

B. Not applicable.

C. I anticipate that the Committee will meet approximately once every month. Additional meetings will be held if appropriate.

Question 4. A. What is your assessment of the effectiveness of the VA's readjustment counseling program?

B. What could be done to make the program more effective?

C. (i) Do you have any concerns regarding the use of undercover law enforcement agents in a Vet Center?

(ii) Were Vet Center case files, that is, confidential records involving individual clients at the Birmingham center, seized and impounded by law enforcement authorities?

(iii) (If so) Do you have any concerns regarding that?

ANSWER:

A. The readjustment counseling program which began in October 1979, appears to have overcome many hurdles posed by its rapid implementation and by its character as an innovative initiative. Over 120,000 veterans have used the program so far and all but two of the planned 136 "vet centers" are now operational. The evaluation of the program's first year done by the VA's Office of Planning and Program Evaluation was extremely positive. It appears that the program has achieved a high degree of satisfaction among Vietnam-era veterans and their families and the national service organizations. The program has been subject to a high degree of public visibility, scrutiny, and concerned interest. In this context, I believe it has been successfully carrying out its primary mission of providing counseling and referral services to the many thousands of Vietnam veterans who have lingering psychological and other readjustment problems from their experiences in Southeast Asia.

B. It is my understanding that VA has devoted considerable effort throughout this year to strengthening the management and administration of this important program, with impressive results. These include implementation of a fees/contracts mechanism for the program. The recent increase in the number of program management and coordinating positions should also yield benefits. VA has also developed new management structures and tools, clarifying program guidance, and fund utilization controls, all of which have been important in overcoming problems which hampered the program's achieving full effectiveness. I understand that VA's Office of Planning and Program Evaluation will be reviewing this program further in the months ahead. That effort may provide an opportunity for VA to consider the need for any additional changes.

C. (i) I know that those responsible for the VA's readjustment counseling program are committed to preserving the privacy and confidentiality of the counseling conducted in the Vet Centers. There is certainly reason for concern about the use of an undercover agent in a Vet Center which may impair confidentiality. I would regard the use of an undercover agent in a Vet Center as an exceptional occurrence under circumstances that require the assistance of law enforcement authorities. When alleged criminal activity, however, is brought to our attention, the VA, of course, must act to insure improprieties are not occurring. In any case, it is certainly my sense that VA officials are committed to maintaining the Vet Centers as places where veterans can work out their problems in privacy and confidence.

C. (ii) It is my understanding that no law enforcement authority seized or impounded patient records maintained at the VA's Birmingham, Alabama, Vet Center. These records were at all times under VA custody and control. Law enforcement authorities were not given access to them. To protect the integrity of the records once improprieties at the Birmingham Vet Center became known and law enforcement authorities were seeking access to them, the records were physically secured and transported from the Vet Center by the Associate Director, VA Medical Center, Birmingham, Alabama, to safekeeping at the VA Medical Center. The records have been returned to the Vet Center where they are now under the control of new management at the Vet Center.

C. (iii). Not applicable.

Question 5. Your predecessor had certain broad responsibilities for Agent Orange activities, including the chairmanship of the Agent Orange Policy Coordinating Committee.

A. Will you be taking on the responsibilities for Agent Orange activities that your precedessor had?

B. Will the Agent Orange Policy Coordinating Committee continue to function?

C. Will you chair the policy coordinating Committee?

D. (If not) Will you participate in it and, if so, in what capacity?

E. Last February 25, then-Deputy Administrator Hagel established the Agent Orange Research and Education Office in the Administrator's Office to serve as the single focal point agency-wide for the VA's Agent Orange activities.

(i) Will this office continue to function in this capacity, and will the staff resources devoted to Agent Orange activities in this office be kept intact?

(ii) Will this office remain directly under the Deputy Administrator?

(iii) (If not) To whom will its director be directly responsible?

ANSWER:

A. I will be closely following Agency activities related to Agent Orange to ensure the development of a coordinated program that aggressively addresses this difficult issue and is responsive to Vietnam veterans' needs.

B. Yes.

C. I will serve as chair to this Committee.

D. Not applicable.

E. I am, given my personal concern with the issues relating to Vietnam veterans, particularly Agent Orange, presently in the process of reviewing the Agency's approach to and handling of the Agent Orange matter. Should I decide that there is a more effective means, organizationally and functionally, of resolving the issues raised by Agent Orange, I will at that time make the appropriate recommendations to the Administrator.

Question 6. A recent news story in the Denver Rocky Mountain News quoted Administrator Nimmo as saying that the VA has budgeted $12 million through 1984 for Agent Orange research. In an August 4 letter to the Administrator, I asked him for a breakdown of the amount budgeted for these activities. As you may know, I've been deeply involved in the overall Agent Orange issue. Thus, I am very interested in the distribution of these funds. I am providing you with a copy of my letter, and ask that you try to arrange for a prompt reply.

ANSWER:

I have been assured by the appropriate program officials that a response will be forthcoming shortly.

Question 7. In connection with this Committee's May 5, 1982, hearing on automated data processing within the VA, then-Deputy Administrator Hagel promised to provide me with the following items on the dates noted:

A. By June 30, an inventory of the VA's micro- and mini-computer hardware, including a list of reprogrammed equipment.

B. By June 30, a timetable for the expansion of the so-called "enhanced pharmacy" ADP system. Please also show on this timetable the sites at which the enhanced pharmacy is to be implemented.

C. The design for the implementation of the first phase of the "decentralized" plan in July 1982.

I would greatly appreciate your following up on these items and ensuring that this information is provided in the very near future.

ANSWER:

These items are appended to the printed record of the Committee's May 5, 1982 hearing on ADP.

Question 8. As you know, this Committee reported legislation that was enacted last year as Public Law 97-37, the Former Prisoner of War Benefits Act of 1981, which made certain improvements in VA programs for former POW's and established the Advisory Committee on Former Prisoners of War.

A. Do you believe this law adequately addressed the special needs of former POW's?

B. (If not) I would greatly appreciate receiving your advice with respect to any further Congressional action that you believe is warranted.

ANSWER:

I do not believe that sufficient time has passed since the enactment of Public Law 97-37 to decide whether it adequately addresses the needs of former POW's, although I applaud the Congress' expansion of health care benefits for such veterans. Under the authority granted by Public Law 97-37, VA has undertaken outreach efforts, promulgated regulations and constituted the Advisory Committee on Former POW's required by that statute. VA has also taken steps to identify current beneficiaries who are eligible for the broad health care services authorized by the Act. However, these efforts are just beginning to have a measurable effect on the delivery of VA health care to POW's. Additionally, the Advisory Committee on Former POW's, itself, has not had sufficient time to study and assess the VA's delivery of health care services to former POW's or the specific needs of those veterans. I believe that until the efforts undertaken to implement Public Law 97-37 are provided more time to measurably affect former POW's, so that they can be evaluated by VA, and until VA can obtain the benefits of advice from the new advisory committee. that it is premature to attempt to assess the adequacy of Public Law 97-37.

Question 9. You come to the VA with considerable management experience, not the least of which was your responsibility for the day-to-day management of the Peace Corps prior to your nomination as Deputy Administrator of the Veterans' Administration.

A. What specifically were your responsibilities as the Deputy Director of the Peace Corps?

B. What do you believe were your major achievements there?

C. In what specific ways do you believe your responsibilities will differ at the VA from those you had at the Peace Corps?

ANSWER:

A. As Deputy Director of the Peace Corps I was responsible for the day-to-day management of the Agency, the preparation and presentation of the budget, the oversight of Agency programs, and the oversight of Agency personnel.

B. As Deputy Director I played a major role in fully restoring the Agency's budget to its previous year's level. The Peace Corps was the only foreign assistance Agency to achieve such a restoration. In addition, I participated in implementing a major reorganization in compliance with Congressional mandates. This reorganization, which involved the separation of ACTION from the Peace Corps, was accomplished within the time limits required by law and below the estimated costs. The net effect of the reorganization was to approximately double the size of the Agency.

C. I believe that my responsibilities at the VA will differ from those at the Peace Corps primarily with respect to the nature and extent of the programs involved. The VA's programs are larger, more extensive, and different in nature than those of the Peace Corps. In addition, the interest to be advocated and advanced at the VA -- those of our veterans, their dependents, and survivors, are fundamentally different than those with which the Peace Corps is concerned. However, I believe that my experience at the Peace Corps is directly transferable to the Deputy Administrator position at the VA.

Question 10. What areas in the VA would you identify as areas where, as you mentioned in your statement, management improvements are needed?

ANSWER:

Given the limited time within which I have had the opportunity to review and fully familiarize myself with the VA and its programs, I would identify clarification and definition of functions concerning Automatic Data Processing acquisition and implementation, communications and relationships among the various VA department and staff officer and the full utilization of Agency expertise and staffing as areas in which management improvements may be appropriate.

Question 11. In your testimony, you stated that you will have oversight of every facet of VA operations and that you see your role as advisor to the Administrator and "manager of daily affairs".

A. How has Mr. Nimmo defined your responsibilities?

B. What types of matters will come to you for decision and which will go to Mr. Nimmo?

C. You stated in your testimony that you will "concentrate on daily operations that require direction and coordination above the departmental and staff office level".

(i) Will such direction and coordination be soley your responsibilities or will these responsibilities be shared between you and Mr. Nimmo?

(ii) (If shared) How will you and Mr. Nimmo divide these responsibilities?

ANSWER:

A. Mr. Nimmo has defined my responsibilities as including coordination of day-to-day Agency operations and as his principal policy advisor.

B. The more routine day-to-day matters and those matters concerning policy implementation will primarily be directed to myself. Basic policy decision, longer range and overall Agency planning and direction, and significant issues affecting the Agency beyond ordinary operations will be decided by the Administrator.

C. (i) and (ii) The day-to-day coordination of Agency affairs and operations and policy implementation will be primarily my responsibility, subject to the direction of the Administrator. I will fully participate in the formulation of Agency policies, planning, and the resolution of significant issues.

Question 12. Please comment on this excerpt from the DAV's testimony today:

"The Deputy Administrator should judge the merit of any policy change or reorganization plan affecting the VA or any of its functions -- whether initiated from without or from within the agency -- on the proposal's ability to provide an affirmative answer to the following two questions:

"(1) Is it in the best interest of our country's veterans their dependents and survivors?

"(2) Will the present integrity and independence of the VA and its programs remain unimpaired?"

ANSWER:

The quoted excerpt from the DAV's testimony is consistent with my views.

Question 13. Please comment on this statement from the testimony of the Paralyzed Veterans of America on your nomination:

"First, the nominee's recent government experience has been that of an overseer of personnel reductions. Mr. Alvarez, during his sixteen months with the Peace Corps, has been responsible for the reduction and reallocation of personnel throughout that agency. It is our hope that this is not the reason for Mr. Alvarez's nomination and that if he is confirmed he will closely and thoroughly examine the VA's usage of personnel and their role in the fulfillment of the agency's mission, prior to initiating any cuts."

ANSWER:

The comments are factually in error. I was not "an overseer of personnel reductions." I was not responsible for nor did there occur any personnel reductions during my tenure at the Peace Corps. There did occur a reallocation of personnel as the direct result of Peace Corps compliance with congressionally directed legal mandates. I was not nominated for purposes of initiating or otherwise overseeing either personnel or budgetary cuts.

Chairman SIMPSON. A couple of other questions if I may. This committee has also been deeply concerned about unemployment and underemployment of veterans, especially Vietnam-era veterans.

What would be your working relationship with the Assistant Secretary of Labor for Veterans' Employment with the Veterans' Employment Service?

Mr. ALVAREZ. Mr. Chairman, I have not formulated any strong ideas at this time on the issue. I am favorable to working closely with the Under Secretary of Labor for Veterans' Employment. I think that perhaps an interagency type of group addressing the issue would also be of benefit at this time.

But I have not had the opportunity to formulate any further ideas or possibilities on the issue.

Chairman SIMPSON. But is it your intention to work closely with that person?

Mr. ALVAREZ. I would be very favorable to working closely with him.

Chairman SIMPSON. Let me ask you—we have authorized the VA to expand significantly the agency's efforts in geriatric research, education, and clinical activities by the establishment of these 15 centers of geriatric research. That legislation also authorized a $25 million appropriation to carry out that effort and yet no request for the appropriation for that purpose was included in the fiscal year 1982 request of the administration and yet we, I think, believe that that will be a very important part of our duty to the aging veteran, the World War II veteran, in the very short period to come.

In view of congressional action authorizing an increased effort in that area, do you believe that the VA should request funds for those purposes? Do you believe it is important to meet that need of the areas of geriatric research, education, and clinical activities? What are your views as to the VA plans for the growing number of older patients as we see this great emerging population of World War II veterans particularly who within 2 years will attain the age of 65?

Mr. ALVAREZ. Mr. Chairman, I feel that the Veterans' Administration has the obligation to meet the needs of the aging veteran community. I am aware of this issue and it is a continuing issue. I look forward to working with the Congress in honoring our commitment to these veterans.

I feel that this is something that needs to be continually examined or researched. I think that there are 14 or 15 geriatric activities that are doing active research at this time which I feel needs to be continued and emphasized as time goes on.

But I fully support the need to continue examining these needs. I think it is our obligation, it is a commitment that we have, we have to meet these needs.

Chairman SIMPSON. Do you have any view or opinion as to what position the Deputy Administrator should have as to advocacy of veterans' needs within the VA as well as with the general public?

Mr. ALVAREZ. Mr. Chairman, I do. I feel that the Deputy Administrator should be a strong advocate for veterans' needs, for whatever is in the best interest of the veterans in all of its aspects.

Chairman SIMPSON. And if confirmed, what will be your policy as to working relationships with various veterans' organizations? I think that's critically important and even though those organizations and your loyal chairman have been involved in some rather earthy and remarkable conversations, at least we continue to talk and I enjoy

them as persons and I try to be accessible. But it is a very important part of the operation, to me, and I wondered how you see it yourself.

Mr. ALVAREZ. Mr. Chairman, I view my role as being very instrumental in continuing open dialog, frank dialog, with not only members of your committee, your committee itself, but with the veterans' organizations. I feel that without mutual support in all areas involving veterans' issues it will be very difficult to have a successful program, a complete, wholly integrated medical care program and a successful veterans program in general. I think it's paramount that we maintain this communication, to be open and accessible at all times.

Chairman SIMPSON. Well, indeed, I think that is important and it's good to hear that.

I have several other questions which I will submit in writing. I think I must conclude my time here. I have to chair now a hearing on the Nuclear Regulatory Commission's authorization with Mo Udall as cochairman in the House. And I regret that—but—must do that and I will, therefore, leave the testimony to be received from Steve Edmiston of the DAV, and Gabe Brinsky of AMVETS, and Jack Powell of the Paralyzed Veterans to be received by staff director and chief counsel, Tom Harvey. I do not like to do that; you are all aware and know that, but in this situation there is no other possibility.

I do then also wish to enter into the record a letter from Bob Nimmo who at this very time of day is addressing the annual convention of the Military Order of the Purple Heart in Albany, N.Y., and, therefore, was unable to attend. His letter is very praiseworthy. He gives you his unqualified support and his confidence and trust; he considers you a full partner as you seek solutions to the problems that lie ahead, a very appropriate letter in my mind and I will enter that in the record without objection.

[The letter referred to follows:]

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

August 5, 1982

Honorable Alan K. Simpson
Chairman, Committee on Veterans'
Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Today, the Senate Committee on Veterans' Affairs will consider the qualifications of Mr. Everett Alvarez, Jr. to be Deputy Administrator of Veterans Affairs. I regret that a commitment to address the annual convention of the Military Order of the Purple Heart in Albany, New York prevents my appearance with Everett.

I have no doubt that every member of the Committee will be impressed by Everett Alvarez's intelligence, his outstanding military record, his management experience, and his quiet dignified demeanor.

The contributions that Everett Alvarez will make as Deputy Administrator for the veterans of this Nation will be significant. He has demonstrated his support and keen understanding of my continuing efforts to bring improved management to the Veterans Administration.

Mr. Alvarez has my unqualified confidence and trust. I intend that upon his confirmation by the Senate and immediately following his taking the oath of office he will join me in the operational, day-to-day administration of the VA.

Mr. Alvarez's confirmation will make it possible for me to focus my attention on policy issues confronting the VA; issues which must be addressed if we are to properly plan for the care of the veteran population through the uncertainties of future years. I would also emphasize that Mr. Alvarez will play a key role in the development of policy by the VA and expect him to be a full partner as we seek appropriate solutions to the problems that lie ahead.

As you know, Mr. Chairman, administration of the VA is one of our government's more difficult assignments. It requires the best talent available, and I believe Everett Alvarez fully meets that requirement. I look forward to favorable action by your Committee and the assistance of Everett Alvarez in the management of this important Agency.

Sincerely,

Bob Nimmo

ROBERT P. NIMMO
Administrator

Chairman SIMPSON. And I would again apologize for the lateness in beginning the hearing. I was chairing a hearing on beer wholesaler distribution systems which was quite fascinating. And then a debate with regard to the Mitchell amendment and I apologize for that delay.

Mr. Alvarez, I am very pleased to have visited with you previous to this; more pleased to hear your responses and I know you will furnish written responses. There will certainly be a time limit there. And we should take care of this confirmation well before the Labor Day break.

And so I certainly wish you well and am very pleased to have had your family here; they have been very patient, and Marc, with a "C". What would you say, Marc, if I told you your middle name was spelled I-L-Y-A-S?

OK, thank you very much and now the panel of veterans' organization representatives.

[The response of the Deputy Administrator-designate to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follows:]

RESPONSE OF THE DEPUTY ADMINISTRATOR-DESIGNATE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. Do you agree to appear voluntarily when invited to testify before this and other appropriate committees of the Congress?

ANSWER:

Yes.

Question 2. Will you be working with the Vietnam Veterans Leadership Program, a volunteer program funded through ACTION? Could you tell us more about this program?

ANSWER:

The Vietnam Veterans Leadership Program is a community-based program designed to assist veterans with readjustment from their experiences in Southeast Asia. In many respects, it parallels the VA's readjustment program concerning veterans. The Vietnam Veterans Leadership program is intended to encourage Vietnam veterans who have achieved personal success to participate in volunteer activities which will assure provision of effective assistance to these troubled veterans. Through the efforts of these successful Vietnam veterans the Vietnam Veterans Leadership Program will demonstrate the leadership capacities and highlight the achievements of Vietnam veterans.

The VA will endeavor to coordinate its activities in such a manner that the Vietnam Veterans Leadership Program is assisted.

Question 3. At his confirmation hearing on July 9, 1981, Bob Nimmo said, and I quote, "The Deputy Administrator . . . is a full assistant to the Administrator. I plan substantial responsibility, particularly oversight responsibility over the Department of Medicine and Surgery, and the handling of substantial quantities of executive mail." Are those your responsibilities?

ANSWER:

My responsibilities include the oversight on a day-to-day basis with department and staff offices within the Veterans Administration. In addition, my responsibilities also involve VA program operational oversight and implementation of policy decisions and planning.

Question 4. I noted in a press release concerning your nomination mention made of your establishment of the Everett Alvarez, Jr. Scholarship Foundation. This appears to be a splendid project. Would you share with us a bit about this Foundation?

ANSWER:

The Everett Alvarez, Jr. Scholarship Foundation is administered by the executive vice president of the University of Santa Clara, Father Schmidt. Father Schmidt also operates and is responsible for the funding of the Santa Clara Youth Village. The Foundation's purpose is to assist the financing of college education. To date, 10 individuals have been assisted in obtaining their college degree directly under this scholarship. The Foundation is state chartered and contributions to it are tax-exempt under the appropriate Internal Revenue Service regulation.

Question 5. Among your assets you have listed "Limited Partnerships." Would you explain this item?

ANSWER:

I am a limited partner in three "Limited Partnerships." The first consists of Popeye's Fried Chicken franchises in Prince George's County, Maryland, Arlington and Alexandria, Virginia. There presently are four stores in operation. A fifth store is scheduled to open in October of this year. I am also a limited partner in two apartment buildings located in Washington, D. C.

Question 6. For the record would you give further detail of your recent position, the duties performed at the Peace Corps?

ANSWER:

As Deputy Director of the Peace Corps, I was responsible for the day-to-day management of the Agency, the preparation and presentation of the budget, the oversight of Agency programs, and the oversight of Agency personnel.

Mr. HARVEY [presiding]. Good afternoon. As Chairman Simpson says, he apologizes for having to depart for this other commitment. With his departure, I guess we might as well proceed. Steve Edmiston, associate deputy national legislative director of the Disabled American Veterans.

TESTIMONY OF STEPHEN L. EDMISTON, ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. EDMISTON. Thank you, Mr. Harvey. It's good to be here this morning on behalf of the DAV to express the views of our organization on the nomination of Everett Alvarez, Jr., for the office of Deputy Administrator of Veterans' Affairs.

The individual who assumes the Office of VA Deputy Administrator certainly assumes a tremendous responsibility. A review of the credentials possessed by the nominee, Mr. Alvarez, are quite impressive. The DAV recognizes the fact that the VA Deputy Administrator is under the direction of the Administrator and is a member of the President's team.

However, the DAV strongly believes his first and foremost responsibility must be directed at promoting the best interest of this Nation's veterans and the agency created and committed to fulfilling their needs.

The DAV was pleased to hear Mr. Alvarez agree with this commitment in his testimony before this committee this morning.

That concludes the summary of my statement and we thank the committee for having the opportunity for being here this morning.

Mr. HARVEY. Thank you.

[The prepared statement of Stephen L. Edmiston, associate deputy national legislative director, Disabled American Veterans, follows:]

PREPARED STATEMENT OF STEPHEN L. EDMISTON, ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 671,000 members of the Disabled American Veterans, may I express my appreciation for this opportunity to present the views of our organization on the nomination of Everett Alvarez, Jr. for the office of Deputy Administrator of Veterans Affairs.

Mr. Chairman, your endeavors today are of utmost importance to, and will have a fundamental effect upon, the present and future well being of this nation's veteran population, their dependents, widows and orphans. These actual and potential VA beneficiaries--who currently constitute almost one half of our country's entire population--regard the Veterans Administration as the federal agency created exclusively for their needs.

And indeed this is so.

The magnitude of the Veterans Administration and the breadth and depth of its various programs of service are well known to this Committee. The VA, the third largest of all governmental

departments and agencies, is designed, contingent upon the needs and eligibility of those whom it serves, to provide such benefits as: the finest medical care, aid in educational pursuits and/or vocational rehabilitation, service-connected disability compensation and nonservice-connected pension, life insurance protection, guaranteed or direct home loans and financial aid for the survivors of deceased veterans.

Unquestionably, the individual who assumes the office of Deputy Administrator assumes a tremendous responsibility. This Committee and the Senate as a whole, who must consent to the nomination for that office pursuant to Public Law 96-22, assume no less a responsibility. With these thoughts in mind, Mr. Chairman, we in the DAV trust that our comments today will provide a beneficial contribution to your important deliberations.

The nominee for Deputy Administrator, Everett Alvarez, was born and raised in Salinas, California. Upon graduation from the University of Santa Clara, California in 1960, where he earned his Bachelor of Science degree in Electrical Engineering, he entered the U.S. Navy. After having completed Naval flight training at Pensacola, Florida, he served as a carrier-aviator. In 1964 while serving as a combat pilot in Vietnam, his A-4 aircraft was shot down and he was taken prisoner by the North Vietnamese.

He was held prisoner by North Vietnam for eight and one half years--the longest POW incarceration of any American military man during the Vietnam war.

Remaining in the Navy upon repatriation, Mr. Alvarez obtained a Master of Science degree in Operational Research and Systems Analysis from the Naval Postgraduate School, Monterey, California. His last assignment before leaving the Navy in 1980 was Director, U.S. Naval Air Production Management Project Office, Washington, D.C.

While attending the Washington National Law Center, George Washington University, from which he graduated in May, 1982, Mr. Alvarez served as a law clerk with the firm of Finnegan, Henderson, Farabow, Garrett and Dunner. From April, 1981 until the present time, he has served as Deputy Director, Peace Corps, Washington, D.C.

Undoubtedly, Mr. Chairman, the credentials possessed by Mr. Alvarez are impressive--quite obviously President Reagan and VA Administrator Nimmo have found this to be true also.

However, in addition to examining the established record of the nominee, this Committee has the obligation to determine, to the best extent possible, just how Mr. Alvarez views the office

to which he aspires. The DAV believes that any individual nominated for the position of Deputy Administrator should be questioned most closely regarding his philosophical beliefs vis-a-vis our veterans' benefits system as a whole, as well as the major programs and services within that system.

Such an examination should, we feel, reveal sentiments and beliefs similar to the following:

Notwithstanding the fact that the Deputy Administrator is under the direction of the Administrator and a member of the "President's Team," his first and foremost loyalty must be directed at promoting the best interests of this nation's veterans and the Agency created and committed to fulfilling their needs.

The Deputy Administrator should judge the merit of any policy change or reorganization plan affecting the VA or any of its functions--whether initiated from without or from within the Agency--on the proposal's ability to provide an affirmative answer to the following two questions:

(1) Is it in the best interest of our country's veterans, their dependents and survivors?

(2) Will the present integrity and independence of the VA and its programs remain unimpaired?

The Deputy Administrator should utilize the nonpartisan concept, surrounding himself with staff members of high competence and a genuine understanding of the needs of our nation's veterans. In performance of his agency-wide oversight responsibilities, he should encourage and suitably reward dedication to duty, quality of productivity and personal initiative on the part of all employees.

We believe that the Deputy Administrator must establish and maintain a candid and open working relationship with this Committee, your counterpart in the House and the Congress as a whole. He should consult regularly with the Veterans Affairs Committees, not only to inform them of intended funding initiatives, legislative proposals or policy changes, but to seek their advice and expertise on any and all such matters.

We also believe the Deputy Administrator should endeavor to maintain a frank and open relationship with the various veteran organizations, advising and consulting with them prior to undertaking any administrative initiatives which might touch upon such areas as: the VA rating schedule, the opening and closing of VA Regional Offices, hospitals or outpatient clinics, and the existing level of any services to veterans and their dependents.

Mr. Chairman, we feel agreement on the part of the nominee with the foregoing is essential if the VA is to remain steadfast and faithful to its motto..."To care for him who shall have borne the battle, and for his widow and his orphan."

This concludes my statement, Mr. Chairman. Again, thank you most sincerely for allowing the DAV to present its views here today.

Mr. HARVEY. Mr. Gabriel P. Brinsky, national service and legislative director of AMVETS.

TESTIMONY OF GABRIEL P. BRINSKY, NATIONAL SERVICE AND LEGISLATIVE DIRECTOR OF AMVETS

Mr. BRINSKY. Good morning, Mr. Harvey. In view of the testimony which has been given here this morning, no purpose would be served by my repeating the outstanding record of accomplishments of Mr. Alvarez.

My presence here primarily is to lend support and to express our immense interest in the position of Deputy Administrator.

I would, however, like to make a few observations. We believe that in view of Mr. Alvarez' service to his country there is every reason to believe that he will be most sympathetic and understanding of the problems which face the Nation's veterans.

As important as this is, he brings much more to the office for which he has been nominated. He has demonstrated managerial skills, both in the military and in the civilian sector. He has an educational background which should stand him in good stead in serving as Deputy to the Administrator of Veterans' Affairs.

We are extremely hopeful that because of his background he will do more than function in a managerial framework and willingly accept the role which should be his by reason of his position; namely, that of the veterans' advocate.

Should he do this, the confidence which has been expressed here today will be justified. Should he do this, which we expect that he will, he will have gained the gratitude of the members of AMVETS.

This, Mr. Harvey, concludes my statement. Thank you.

Mr. HARVEY. Thank you.

[The prepared statement of Gabriel P. Brinsky, national service and legislative director, AMVETS, follows:]

PREPARED STATEMENT OF GABRIEL P. BRINSKY, NATIONAL SERVICE AND LEGISLATIVE DIRECTOR, AMERICAN VETERANS OF WORLD WAR II, KOREA, AND VIETNAM (AMVETS)

Good morning Mr. Chairman and Members of the Committee.

President Reagan has nominated Everett Alvarez, Jr., to be Deputy Administrator of Veterans Affairs. He is a Vietnam veteran with a 20-year naval career. He was a prisoner-of-war for eight and one-half years, the longest held American by the Northern Vietnamese. His personal sacrifice for his country is self-evident and warrants no comment. But in spite of all that he has done, he still felt it necessary to do more. He started a scholarship foundation to instill or ingrain a sense of responsiblity and positive feelings towards being an American. The foundation is administered by the University of Santa Clara.

His experiences have been many and varying during his military career. As a civilian, he served as the Deputy Director with the Peace Corps. His accomplishments with the Corp are well known.

He received a BS Degree in Electrical Engeering from the University of Santa Clara, California, and pursued a legal education at the George Washington University. It is expected that he will receive his degree before the end of the year.

In view of his service to his country, there is every reason to believe that he will be most sympathetic and understanding of the problems which face the veterans of this country. For who could better understand their problems than someone who has spent eight and one-half years as a prisoner-of-war. As important as this is, he brings much more to the office for which he has been nominated. He has demonstrated managerial skills both in the military and the civilian sector. He has an educational background which should stand him in good stead in serving as Deputy to the Administrator of Veterans Affairs.

We are extremely hopeful that because of his background he will do more than function in a managerial framework and willingly accept the role which should be his by virtue of his position, mainly, that of the veterans' advocate. Should he do this, the confidence which has been expressed here today will be justified. Should he do this, which we expect that he will, he will have gained the gratitude of the membership of AMVETS.

This concludes my testimony. Thank you.

Mr. HARVEY. And now, Mr. R. Jack Powell, executive director of Paralyzed Veterans of America.

Mr. Powell.

TESTIMONY OF R. JACK POWELL, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. POWELL. I wish that I could say that it was a pleasure to be here this morning; it is not. What I am about to do constitutes to me one of the most difficult decisions that I have ever personally had to make.

Many people believe that the finest Administrator of the Veterans' Administration has ever had was Omar Bradley. General Bradley was not the finest Administrator because he was a hero, although he was. He was not the finest Administrator because he was a capable leader or because he was a capable manager, both traits which he possesses. He is, in the opinion of many, the finest Administrator that the VA ever had because of the commitment that the veterans of this country recognized that Mr. Bradley had to them and to their well-being, both as Administrator of the VA and prior to that as general of the Army.

We cannot question the fact that Mr. Alvarez is a hero of the Vietnam war, to whom this country owes quite a debt. We can, however, question whether his placement as Deputy Administrator of the VA is an appropriate place.

During the last 18 months we have seen a number of changes in the top management positions of the Veterans' Administration, all of which have had the effect of deorganizing the operations of this agency to serve America's veterans. It is, therefore, important that whoever becomes the new Deputy Administrator of the VA be an individual who has the utmost support of the veterans' organizations and the veterans of this country and, as well, of the Administrator and others in the White House.

We do not question that those in the White House support Mr. Alvarez. We may question the degree of commitment that the Administrator has seen fit to place on Mr. Alvarez. We note that in our earliest meetings with Mr. Alvarez we questioned him as to what duties of the former deputy he would receive. His responsibilities of those had not been discussed yet.

In questioning here earlier in this hearing with regard to specific questions of specific responsibilities, the responses were, to say the least, ambiguous.

We believe that the Nation's largest independent agency requires a top management team that has clearly defined, clearly understandable, and clearly known duties and responsibilities that we have not seen come out of this testimony.

Needless to say, one voice will not change the world. Should Mr. Alvarez be confirmed as Deputy Administrator of the VA, I believe I can speak for the Paralyzed Veterans of America in saying that we will offer him our utmost degree of cooperation and support in the success of his job. We would wish, however, that in the future qualifications for the top leadership of the VA would not be based upon simply military service or upon managerial capabilities, but would, in fact, be based in part upon the dedicated commitment by the individuals nominated, to the programs for America's veterans. That concludes my testimony.

Mr. HARVEY. Thank you, Mr. Powell, and thank you all, gentlemen.

[The prepared statement of R. Jack Powell, executive director, Paralyzed Veterans of America, follows:]

PARALYZED VETERANS OF AMERICA

CHARTERED BY THE CONGRESS OF THE UNITED STATES

PREPARED STATEMENT OF
R. JACK POWELL, EXECUTIVE DIRECTOR
PARALYZED VETERANS OF AMERICA
BEFORE THE
SENATE COMMITTEE ON VETERANS' AFFAIRS
CONCERNING
NOMINATION OF MR. EVERETT ALVAREZ, JR.
AS
DEPUTY ADMINISTRATOR OF VETERANS AFFAIRS
AUGUST 5, 1982

Mr. Chairman and Members of the Committee, it is an honor for me to speak today on behalf of the members of Paralyzed Veterans of America. It is with pleasure that PVA presents these comments regarding the nomination of Mr. Everett Alvarez, Jr., to serve as the Deputy Administrator of Veterans Affairs.

PVA recognizes and applauds the service rendered the Nation by Mr. Alvarez and his great personal sacrifice. Mr. Alvarez was held as a prisoner of war for eight and one-half years during the Vietnam war and in the course of his captivity demonstrated the ideals of patriotism and reflected the highest traditions of military service. Mr. Alvarez's naval career as an aviator, and specifically as a carrier pilot, clearly provides ample evidence to his personal courage and dedication. Beyond these admirable attributes are those of intelligence, perseverance, and skill which are manifest in the requirements of naval aviation.

Mr. Alvarez brings with him a broad acquaintance with the modern-day military. His experience as Director of the U.S. Naval Air Production Management Project Office and as a Production Readiness Procedures Specialist have afforded him insights into the development of complex, modern weapons systems and the

4350 East-West Highway, Suite 900, Bethesda, Maryland 20814 (301) 652-2135

personnel who operate them. These responsible positions have provided Mr. Alvarez a broad background in management including planning, coordination, production, and supervision.

The accomplishments of the nominee, both in government service and in his academic pursuits, have been recognized beyond the Department of Defense. His appointment as Deputy Director of the Peace Corps demonstrates his ability to transfer his skills from one government position to another. During his tenure as Deputy Administrator of the Peace Corps he was responsible for the day-to-day operations of the Agency. This responsibility included the oversight of planning, programming and operations. This position also provided Mr. Alvarez the opportunity to become involved with the budget p.. when he supervised the revision of the Agency's Fiscal Year's 1982 and 1983 ' ..gets.

The management experience developed by the nominee, Mr. Alvarez, has been extensive during his military and government career. His background in government contracting and procurement procedures have allowed him to observe the relationships of government and private enterprise. His tenure with the Peace Corps provided him the opportunity to utilize his management skills and he implemented cost accounting and time analysis methods in efforts to streamline the agency. Additionally, Mr. Alvarez gained experience in directing personnel policies by his involvement in the recruitmer :, retention, and assignment of agency staff and by his direction of staff reduction and reallocation.

Mr. Chaiman, Mr. Alvarez has demonstrated considerable management expertise and proven his willingness to render valuable service to the nation, and he will require these attributes if he becomes the Deputy Administrator. The position of Deputy Administrator is a difficult and demanding one. The current Administrator has been in office only a little over a year, but the Administrator has released or seen the departure of a number of capable, experienced advisors and career employees who have had extensive knowledge and understanding of the Veterans Administration and it programs.

The nominee, if confirmed, will be embarking upon a job which seems to have inherent problems as evinced by his being the third Deputy Nominee in little more

than a year. In past months we have observed the resignation of Mr. Allen Clark who left prior to his confirmation and the recent departure of Mr. Charles Hagel who served as Deputy for only eight months. It is important to note that during the brief period he served in the VA, Mr. Hagel developed a strong working relationship with veterans service organizations and experienced a deep and growing understanding of the problems and concerns of America's veterans. Hopefully, the next Deputy Administrator will be able to continue the work begun by Mr. Hagel and will foster the dialogue and actions which Mr. Hagel developed between the Veterans Administration and the men and women it serves.

VA Administrator Robert Nimmo has stated that the Deputy will be responsible for the day-to-day operations of the VA. This is a formidable task with the Veterans Administration becoming less able to meet the needs of those it is to serve. This is particularly true in the area of veterans health-care, with an ever-widening gap developing between the needs of veterans and the VA's capability to meet these needs. The current construction freeze, alone, is creating a situation whereby the VA's physical capacity is static while the health-care demands are growing.

Recent experience also attests to the difficulty inherent in the position of Deputy Administrator. During his period of service in the VA, Mr. Hagel, too, was tasked with the day-to-day operations of the agency. This responsibility was given without the authority necessary to accomplish the job. More and more frequently decisions affecting the Veterans Administration and veterans are being made by the Office of Management and Budget. OMB requires that the VA obtain its prior clearance for public statements and testimonies to Congress. Just last year the Office of Management and Budget designed the Administration's VA budget in the absence of a VA spokesman or advisor. All of these instances combine to cast doubt on the ability of any Deputy Administrator to truly run the day-to-day operations of the Veterans Administration and all clearly indicate that the next Deputy Administrator will inherit a most difficult position.

Two specific issues relating to the nomination of Mr. Alvarez are of particular concern to PVA. First, the nominee's recent government experience has been that of an overseer of personnel reductions. Mr. Alvarez, during his sixteen months with the Peace Corps, has been responsible for the reduction and reallocation of

personnel throughout that agency. It is our hope that this is not the reason for Mr. Alvarez's nomination and that if he is confirmed he will closely and thoroughly examine the VA's usage of personnel and their role in the fulfillment of the Agency's mission, prior to initiating any cuts.

PVA is also concerned with Mr. Alvarez's relative inexperience outside the military and Department of Defense. The management techniques and the budgetary constraints of DOD are vastly different from those of an agency such as the VA which is tasked with meeting the needs of a diverse population.

It would be preferable if the nominee had more extensive experience in veterans' affairs or other non-Department of Defense activities. The position of Deputy Administrator requires not only good management experience but also a clear understanding of the men and women who rely on the programs and benefits of the VA.

Mr. Chairman, it is PVA's hope that the new Deputy Administrator will not view his role as that of a supervisor of budget and personnel cuts within the VA, but, rather, the Deputy will approach the position with an open mind and study the Agency's operations and mission. The Deputy must gain a clear understanding of the VA and the people it serves if he is to conduct the day-to-day operations and oversee the improvement of services to the Nation's veterans. Additionally, PVA hopes that the Deputy will work closely with the Administrator advising him of the effects, both real and potential, of present and future policies as they relate to the operations of the Veterans Administration and the needs of veterans. Finally, we hope that the new Deputy will establish lines of communications with veterans' service organizations and that this dialogue will be characterized by openness and honesty. This is of critical importance today in view of the widespread concern over the Administrator's apparently ambiguous committments to traditional VA services and benefits.

It is indeed unfortunate that in this country today we have come to the point where many veterans, the public and even Members of Congress have a legitimate cause to question the devotion of this Administration to appropriate benefits for those who have defended our country in the past while it seeks ever larger budgets for some possible future occurrence. To alleviate such doubts and misgivings Mr. Chairman and Members of the Committee, I request on behalf of the members of Paralyzed Veterans of America and all veterans that you carefully examine not only the technical and managerial skills of all individuals who are nominated to serve in the Veterans Administration but also look closely at their commitment and concern for veterans which is of great importance today.

Mr. Chairman, this concludes my remarks and I would like to again thank you for inviting PVA to express its views concerning this very important nomination.

Mr. HARVEY. Various members of the committee may have questions in writing to submit to you, Mr. Alvarez. If you could get the responses back to those within a week, hopefully in a week, then we will proceed expeditiously to poll the committee on a vote on this nomination.

That, I believe, concludes the meeting this morning. The Senate Committee on Veterans' Affairs stands adjourned.

[Whereupon, at 12:32 p.m., the hearing was concluded.]

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